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Commentary

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Neighbors Matter

Poor Neighborhoods and Urban Aboriginal Policy

John Richards

In this issue...

Half of all aboriginals now live in urban areas and they are much more likely than nonaboriginals to live in poor neighborhoods. This is a reality that federal and provincial politicians are ignoring. Two policies to pursue are, first, public schools targeted to serve urban aboriginal children and, second, welfare reform that renders access for the employable — aboriginal and nonaboriginal alike — more difficult and that links benefits more closely to work.

The Study in Brief

Over the past half century, aboriginal Canadians have become increasingly urbanized. According to the 1951 census, only 7 percent lived in urban areas; according to the 1996 census, nearly 50 percent did. Unfortunately, Canadian policymakers have failed to adjust to this reality and have concentrated too much on rural, reserve-based aboriginal concerns.

This *Commentary* reviews census evidence on social outcomes in the eight Canadian cities with the largest aboriginal populations. Particularly in western Canada, aboriginals live disproportionately in the poorest of urban neighborhoods, neighborhoods that display characteristics associated with the ghettos of US cities. The Canadian city with the highest concentration of aboriginals in poor neighborhoods is Winnipeg. In general, education levels and employment rates for aboriginals who live in poor neighborhoods are well below those for aboriginals in nonpoor neighborhoods, which, in general, are below those for nonaboriginals. Aboriginals are also much more likely to change residence than are nonaboriginals.

The *Commentary* advances two recommendations directed to provincial governments. The first is to create separate school systems explicitly for aboriginal children. Such a reform would be controversial, and its implementation would require careful attention to administrative details. It would, however, open the possibility for greater engagement by aboriginal families in the education of their children.

The second recommendation is to augment in-work benefits for low-income families with children, and to render access to untied welfare benefits harder for the employable. The one province to have pursued this strategy consistently over the 1990s was Alberta. Average employment rates among aboriginals and nonaboriginals in the poor neighborhoods of Calgary and Edmonton were substantially higher in 1996 than in the four other western cities reviewed. (The differences were mixed relative to the two eastern cities.) There is a legitimate debate about the relative importance of Alberta social policies and the strength of the regional economy in explaining these results, but provincial welfare reform was undoubtedly important.

The Author of This Issue

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No ethnic group in Canada experiences such high rates of poverty, as much family and community distress, as do aboriginals. The appropriate response is not *misérabilisme*. An increasing number of aboriginals are graduating from postsecondary education institutions (Canada 2000). A small aboriginal middle class now exists. No longer are aboriginal problems upstaged: they occupy center stage in many political theaters, in Canada and in other industrial countries with significant indigenous populations (Abele 2001). And aboriginal influence over contemporary music, writing, and art is substantial, somewhat like that of the Harlem Renaissance in the United States in the 1920s.

Despite aboriginals' remarkable cultural renaissance over the past quarter-century, however, their general economic progress has been disappointing. What is required from both orders of government are policies that simultaneously respect aboriginal expectations of cultural survival, offer sensible economic incentives to undertake work over welfare, and assure higher quality in public services — in particular, schooling at the kindergarten through grade 12 (K–12) level. Easier said than done.

Over the past generation, the outlines of Canadian aboriginal policy have been sketched, for the most part, by the federal Department of Indian Affairs and by the courts. The central conclusion of this *Commentary* is that aboriginal policy is too important to leave to these arenas; rather, the provinces — particularly the four western provinces, where aboriginals compose a large proportion of many urban communities — must undertake major interdepartmental initiatives. Given the nature of the problems, the two lead agencies should be the ministries of education and of social services.

In summary, this *Commentary* proceeds as follows. Given the extent of aboriginal migration to cities, the introduction raises doubts about the emphasis that the 1996 Royal Commission on Aboriginal Peoples (RCAP) places on on-reserve development, land claims, and treaties. Urban aboriginals fare better economically than their rural counterparts but are nonetheless geographically overrepresented in the poorest of urban neighborhoods. The second part provides an introduction to alternative explanations for urban poverty. There follows a survey, based on 1996 census data, of social and economic outcomes of aboriginals in eight census metropolitan areas (CMAs), disaggregating data by kind of neighborhood. The final part discusses broad policy recommendations — in particular, means of improving high school completion and of increasing employment rates. An appendix briefly examines on-reserve welfare dependency.

I received help from many people in preparing this *Commentary*. My research assistant, Chunling Fu, undertook most of the data preparation. Disaggregation of data by poor and nonpoor census tracts required a special run of the 1996 census master file. I thank Doug Norris and Derrick Thomas for enabling this. In addition, Derrick Thomas and two other colleagues at Statistics Canada, Andy Siggner and Garnett Picot, commented extensively on earlier drafts. Michael Hatfield also helped in data preparation and offered useful comments. Others who commented — again in many cases extensively — were Susan Anzolin, Allan Blakeney, Ken Boessenkool, Helmar Drost, Pierre-Gerlier Forest, Gordon Gibson, Carol La Prairie, Lawrence Mead, Philip Oreopoulos, Finn Poschmann, Yolanda Stojak, and David Weimer. I thank Lee d'Anjou for her work in copy editing, and Barry Norris for desktopping the manuscript. I stress that these people bear no responsibility for remaining errors, nor do they necessarily agree with my conclusions.

RCAP and the Two-Row Wampum

Much of today's native art and writing is semibiographical and is infused with anger at past injustices — as was true among many involved in the Harlem Renaissance (Episkenew 2001). In a recent public exchange of letters, Alan Cairns generalizes: "When they emerge from the sidelines of history, people who have been demeaned, humiliated and stigmatized inevitably construct arguments and reinterpret the past in ways that enhance their dignity" (Cairns and Flanagan 2001, 108). In sum, overcoming past humiliations and injustices entails affirmation of that which is valuable and unique to the aboriginal experience.

Over the past quarter-century, this affirmation has evolved among many aboriginal leaders into a call for aboriginal self-government — for institutions legally autonomous from those of the majority — albeit with the expectation that such governments would continue to receive generous fiscal transfers. The most authoritative statement of what Cairns describes as "institutional parallelism" (2000, 91–97) is the report of the Royal Commission on Aboriginal Peoples. The summary volume says:

> Canadians need to understand that *Aboriginal peoples are nations* [emphasis in original]. That is, they are political and cultural groups with values and lifeways distinct from those of other Canadians. They lived as nations...for thousands of years before the arrival of Europeans. As nations, they forged trade and military alliances among themselves and with the new arrivals. To this day, Aboriginal people's sense of confidence and well-being as individuals remains tied to the strength of their nations. Only as members of restored nations can they reach their potential in the 21st century. (Canada 1996, x–xi.)

A prominent image used by the commission is that of the two-row wampum, a belt commemorating a 1613 treaty between the Mohawk and the Dutch:

> There are two rows of purple, and those two rows represent the spirit of our ancestors. Three beads of wampum separating the two purple rows symbolize peace, friendship and respect. The two rows of purple are two vessels travelling down the same river together. One, a birch bark canoe, is for the Indian people, their laws, their customs and their ways. The other, a ship, is for the white people and their laws, their customs and their ways. We shall each travel the river together, side by side, but in our own boat. Neither of us will try to steer the other's vessel. (Ibid., 10.)

The trouble with this image and the RCAP agenda is twofold. First, it implies a degree of political separation from nonaboriginal society that is not sustainable in a democratic country. The proposed sharing of citizenship rights and obligations across the two vessels is so tenuous that it is unlikely the occupants could ever achieve reasonable harmony in their relations. This inadequacy is the central theme of Cairns' (2000) recent book *Citizens Plus*.

The RCAP agenda says too little about those Indians who choose to migrate to urban areas.

Second, the RCAP agenda says too little about those Indians who choose to migrate to urban areas. Even under the most benign and well-managed forms of self-government, with modern treaties providing generous transfer of employment-generating assets (such as fishing and timber rights), rural reserves will generate

Box 1: *Aboriginals and Registered Indians*

The census definition of *aboriginal* has varied over the decades. Currently, the most frequently used definition relies on the criterion of identity:

> In 1991 and previous censuses, Aboriginal persons were determined using the ethnic origin question, based primarily on the ancestry dimension. Rather than determining Aboriginal status based on the cultural group of one's ancestors, respondents in 1996 defined themselves as Aboriginal if they personally identified with at least one Aboriginal group [North American Indian, Métis, or Inuit]. This is the first time that the [census's] Aboriginal population includes members of an Indian Band/First Nation who are not Treaty Indians or Registered Indians. (Statistics Canada 1999, 5.)

Unless specified otherwise, the data on aboriginals used in this study rely on the self-identity criterion. The 1996 census still reported the number of aboriginals determined by ethnic origin, and for some purposes this approach is more useful. In response to the ethnic-origin question, census respondents may designate only one ethnicity; aboriginals who respond this way are *single-origin aboriginals*, who are either North American Indian, Métis, or Inuit. On the other hand, respondents may designate multiple ethnicities; if at least one of them is aboriginal, the respondent is classified as *multiple-origin aboriginal*. The number of Canadians having at least some aboriginal ancestry is slightly over 1,100,000. (Note that some respondents have both Indian and Métis ancestors; hence the multiple-origin Indian and Métis populations of Table 1 are not mutually exclusive.) The number identifying themselves as aboriginals is considerably smaller, slightly under 800,000.

The quotation above refers to another important concept: individuals who qualify as *registered Indians* under the *Indian Act*. At the end of 1996, the Department of Indian and Northern Affairs counted 611,000 on its registry, of whom 354,000 lived on reserves.

All census statistics on the aboriginal population must be treated with caution because of the problems of underreporting.

but a small fraction of the productive, well-paying jobs required if the present and projected reserve-based population is to escape poverty.

Thus the RCAP's image has become several decades out of date. Increasing numbers of *registered Indians* are not prepared to wait for the fruits of protracted treaty negotiations. They have joined many other *aboriginals* aboard the "white people's" boat (see Box 1). Halfway through the twentieth century, most aboriginals were still rural, and the great majority of registered Indians lived on-reserve. According to the 1951 census, only 7 percent of all aboriginals — whether Indian, Métis, or Inuit — lived in cities (Drost 1995,17). At the time of the 1996 census, nearly 50 percent lived in urban areas, and a mere dozen metropolitan centers across Canada were home to a quarter of the total aboriginal population. That year, the Department of Indian Affairs registered 611,000 Indians under the *Indian Act*, of whom 354,000 — fewer than 60 percent — lived on-reserve (Canada 2001a).[1]

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1 Although the 1996 data were collected five years ago, we have no reason to think that the situation of urban aboriginals has changed dramatically since then. When the 2001 census data become available, it will be important to update the analysis. The dozen CMAs include the eight discussed in detail in this *Commentary*, plus the following: Ottawa-Hull, Hamilton, Victoria, and Prince Albert.

Box 2: *Poverty Measures*

The *family poverty rate* is the proportion of people living in families whose members are under age 65 and have incomes below a poverty line. In a recent study, Picot, Morissette, and Myles (2001) use as the poverty line Statistics Canada's 1992 low-income cutoff (LICO), calculated after taxes and transfers. The LICOs are adjusted for family size and size of urban area but not for any province-specific effects. The *poverty gap* is the difference between the relevant LICO and the average income among the subset of families whose incomes fall below it, expressed as a percentage of that LICO. It indicates the percentage by which the income of the average low-income family in the subset is below the relevant LICO. The *low-income intensity* index combines the poverty rate and poverty gap. (Formally, it is the product of the poverty rate, the poverty gap, and a function of the gini coefficient for the low-income population.)

Aboriginals who want to remain as faithful as possible to cultural traditions are still likely to live in rural Canada, on reserve lands, if they have status as registered Indians. However, a large number, including many who prize their cultural heritage highly, are choosing to live in cities. In doing so, they are pursuing things that have always drawn people from rural to urban life: access to a wider variety of better jobs, a more varied choice of amenities, better opportunities for their children, and so on. One obvious conclusion from Helmar Drost's (forthcoming) analysis of income differences between on-reserve and off-reserve aboriginals across Canada is that the latter enjoy, on average, substantially higher incomes. Admittedly, it is hard to place a monetary value on the noneconomic advantages of rural life. Giving up rural life and moving to town is, for many aboriginals and nonaboriginals alike, a painful tradeoff. And, quite reasonably, many aboriginals choose not to make a permanent choice, but migrate back and forth between town and reserve.

Neighbors and Why They Matter

Subject to Cairns' admonition about maintaining a sufficient sense of shared citizenship and to the urgent need for Ottawa to reduce on-reserve welfare dependency — a theme on which I comment briefly in the Appendix — policymakers are doing the right thing by experimenting with different approaches to on-reserve governance. However, the working out of self-government has swamped the policy agenda. On the basis of media coverage, a typical Canadian would never know the extent of rural-to-urban migration. Yet urban aboriginals face significant problems (although, on average, they fare economically better than do rural aboriginals). Particularly in western Canada, they live disproportionately in the poorest of urban neighborhoods, neighborhoods that display characteristics associated with the ghettos of US cities. Too many aboriginals must choose between the poorest of urban neighborhoods and rural communities where economic conditions are, on average, even less benign.

Too many aboriginals must choose between the poorest of urban neighborhoods and rural communities where economic conditions are, on average, even less benign.

In an attempt to measure the phenomenon of emerging ghetto-like neighborhoods in Canadian cities, Michael Hatfield (1997), a researcher at the Department of Human Resources Development, defines "very poor neighbourhoods" as those census tracts in which the *family poverty rate* (see Box 2) is at least twice the national Canadian average. In general, the urban poor are becoming more concentrated in such neighborhoods: in 1980, 20 percent of the poor living in one of Canada's nine largest metropolitan centers lived in a poor neighbourhood (as defined in Box 3); by 1995 that statistic had risen to 29 percent.[2]

2 Hatfield defines poor families in terms of Statistics Canada's 1992 low-income cutoff (LICO) values.

Box 3: *Poor and Nonpoor Neighborhoods*

Poor neighborhoods are those census tracts with poverty rates more than twice the average 1995 family poverty rate — that is, above 32.6 percent. *Nonpoor neighborhoods* are defined as those census tracts in which the family poverty rate is less than twice the national average for 1995 of 16.3 percent — that is, below 32.6 percent. While people living in poor neighborhoods are, by statistical construction, more likely to be poor than those living elsewhere, not all residents of poor neighborhoods are themselves poor; likewise, some residents of nonpoor neighborhoods are poor.

That neighbors matter is a far from new idea, but it continues to provide an important insight into understanding long-term poverty.

Many students of poverty conclude that poor urban neighborhoods generate destructive dynamics: those living in them experience adverse effects that do not arise for the poor living in ordinary neighborhoods, effects that cannot be adequately explained in terms of individual family characteristics. Robert Haveman and Barbara Wolfe attempt what they describe as a "heroic summary" of the rigorous statistical literature that assesses the relative importance of various parental choices and institutional arrangements as determinants of children's outcomes. Among their conclusions is that "growing up in a neighborhood with 'good' characteristics (e.g., residents with more education and income, and less unemployment and welfare recipiency) has a positive effect on a child's choices regarding schooling and earnings, while reducing the likelihood that a child will choose to have an out-of-wedlock birth" (1995, 1871). The other side of the coin is that growing up in a neighborhood with "bad" characteristics augments the probability of these undesirable outcomes.

In his synthesis of research on life in Chicago ghettos, the sociologist William Julius Wilson (1987) designates the residents of ghetto neighborhoods as "the truly disadvantaged." In a more recent book on the same subject, Paul Jargowsky writes:

> [T]here are many reasons to be concerned with high-poverty neighborhoods in addition to the poverty of individuals. First among them is the premise that neighborhoods matter, that the economic and social environments of high-poverty areas may actually have an ongoing influence on the life course of those who reside in them. That is, poor neighborhoods have an independent effect on social and economic outcomes of individuals even after taking account of their personal and family characteristics, including socioeconomic status. Of greatest concern are the effects that harsh neighborhood conditions have on children, whose choices in adolescence can have lifelong consequences. If teenagers drop out of school or bear children out of wedlock in part because of neighborhood influences, then the study of neighborhood poverty is important. (1996, 4–5.)

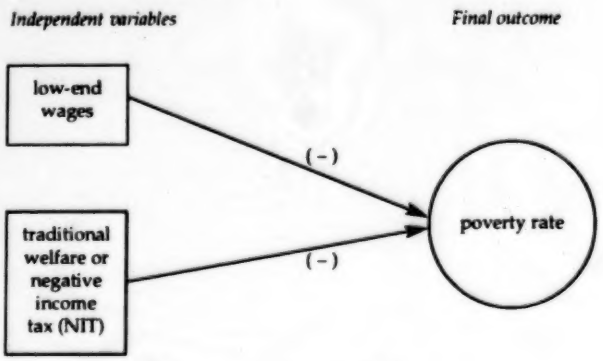
"Of greatest concern are the effects that harsh neighborhood conditions have on children, whose choices in adolescence can have lifelong consequences."

— Paul Jargowsky

Central to this *Commentary* is my conclusion that neighborhood effects matter. This does not mean that other variables are irrelevant, merely that they cannot adequately explain differences across neighborhoods.

What follows is not a rigorous review of the literature on the causes of poverty and the efficacy of various policy options. Rather, my goal is to help readers appreciate alternate interpretations of the subsequent presentation of census data. The discussion is organized around four highly stylized models of cumulative and increasing complexity. In all of the figures illustrating them, the bracketed sign, positive or negative, accompanying each arrow indicates the expected influence of one variable on another. (For example, an increase in low-end wages must lower the poverty rate if the other variables hold constant.)

Figure 1: *Model One*



Note: See the text for an explanation of the bracketed signs beside the arrows.

Model One

In model 1 (see Figure 1), the core problem is wage polarization over the past generation. The assumption is that declining market earnings among people in the bottom tail of the earnings distribution should be addressed via targeted transfers.

Poverty is a word with many meanings. A community may be poor in cultural facilities; children may be poor in the sense of growing up in a single-parent family, without the financial or psychological support of the absent parent. The core meaning of the word, however, is that an individual, family, or neighborhood lacks income, either in some absolute sense or relative to the average in some wider community of reference.

A trend over the past two decades, in Canada and most other industrialized countries, has been a decline or at best stagnation in the inflation-adjusted value of earnings among the bottom quintile of workers, many of whom have limited formal training. The problem is simultaneously one of wage rates and declining hours of paid work. This trend has exacerbated problems of family poverty (Beach and Slotsve 1996; Heisz, Jackson, and Picot 2001; Picot, Morissette, and Myles 2001). If inadequate income is the core problem, government can address it by taxing the nonpoor and providing targeted income transfers. Some commentators, on both the left and right, argue as much, their only disagreement being the appropriate magnitude of transfers to undertake.

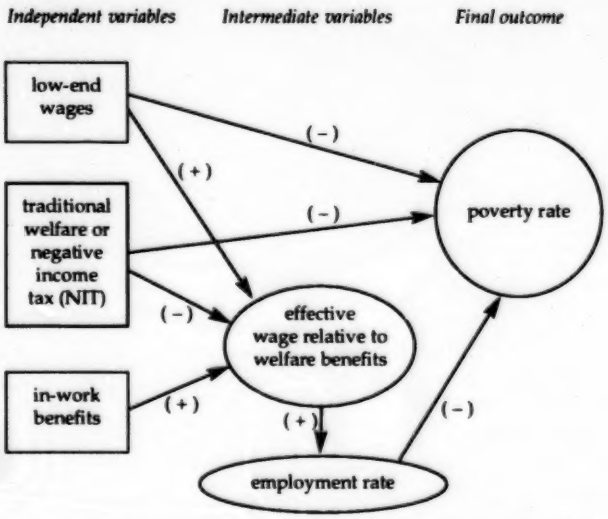
Traditional welfare programs provide income to beneficiaries according to a predefined schedule and claw back the benefit aggressively as the beneficiary's earnings increase.[3] Such programs entail social workers' having a good deal of administrative discretion in determining the magnitude of any benefit paid.

For some theorists, an attractive alternative to traditional welfare is a negative income tax (NIT). Popularized by Milton Friedman, the case for NITs has been enthusiastically taken up by advocacy groups for the poor over the past quarter-century. The essence of an NIT is a rules-based program, free from administrative discretion, that provides a guaranteed base income to families that have no earnings and claws back the base as a percentage of incremental family earnings (hence the analogy with positive taxes). To maintain an incentive to earn income, NIT programs entail a clawback rate that is typically less than 50 percent, well below the rate for traditional welfare.

Another type of income-support program is that aimed at reducing poverty among the elderly. Such programs have been among the successes of the welfare state in industrialized countries over the past half-century. Most are a kind of

3 In the case of an adult living in Alberta for example, the first $115 of earned family income per month is ignored in calculating the allowable social assistance benefit. Thereafter, each additional dollar of earnings results in a 75 cent reduction in benefits until they fall to zero. (This summary is based on personal communication with Alberta government officials.)

Figure 2: ***Model Two***



Note: See the text for an explanation of the bracketed signs beside the arrows.

negative income tax. In Canada, Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) provide the elderly with a base income; the GIS clawback rate is 50 percent of other income.

Model Two

In model 2, (Figure 2), the core problem is a lack of work by the poor, a problem exacerbated by the incentives generated by targeted transfer programs. For individuals deemed employable, the appropriate policy responses are less ready access to transfer income and the tying of benefits to work.

If government relies on either traditional welfare or an NIT design to target transfers, it thereby provides the largest benefits to individuals and families without other income. That approach makes sense if model 1 is applicable. The Achilles' heel of all redistributive programs using targeted benefits is that clawing back benefits as incomes rise blunts the incentive for the beneficiaries to pursue employment or other income. This outcome is obvious with the very high clawbacks associated with traditional welfare. But for Canadian families with two or more children, the *effective tax rate*, defined as the clawback rate on targeted benefits plus the relevant rates of income and payroll taxes, is now close to that for traditional welfare over a distressingly large range of family earnings.[4]

This Achilles' heel may not matter much among retired Canadians for whom a sense of self-worth does not depend on work. Even here, high effective tax rates on OAS/GIS transfers pose problems, particularly for the working poor. Knowing that they will be subject to very high effective tax rates on income from personal retirement assets, why should they undertake voluntary savings for old age?

Unambiguously, the disincentive does matter among those of working age for whom work-derived earnings generate important benefits beyond the value of goods and services purchased. On average, earning $15,000 can be expected to do more good for a family — in terms of improved self-respect, better role models for children, and so on — than an equivalent amount of annual transfer income. A point worth emphasizing here is the role of on-the-job learning. Among those who do not pursue postsecondary training and even more among those who do not finish high school, an important means of acquiring skills is learning on the job. To some extent, targeted benefits discourage the employable poor from acquiring the skills that would, over time, enable them to earn higher wages.

4 During the 1990s, Ottawa and the provinces established NIT programs for low-income families with children. These programs aggressively claw back over the family income range of $20,000 – $35,000. By the end of the decade, for families with two or more children, the effective tax rate over this income range is almost nowhere below 60 percent; in many intervals within this range, in many provinces, the effective tax rate exceeds 70 percent. See Poschmann and Richards (2000).

The decision to pursue employment depends on many things, among them the reward from employment relative to the alternate income available from transfer income. In general, over the past three decades the level of transfer benefits for parents with children has risen in Canada and, as mentioned, the reward from unskilled labor has stagnated or fallen. As the ratio of low-end wages relative to welfare benefits falls, the tendency among poor families not to work and rely instead on transfer income rises. (In Figure 2, this ratio appears as an intermediate variable bearing on another intermediate variable, the employment rate.)

Arguments implicit in model 2 have figured prominently in the welfare reform debate in the United States over the past two decades. A milestone in that debate was President Bill Clinton's signing of a major welfare reform bill in 1996. As described by one of the law's architects, a senior advisor to the Republican congressional caucus,

> [T]he essence of the 1996 welfare reform law was work. Under the new law, welfare recipients, previously subject to only loose requirements of any type, were to be strongly encouraged — even forced — to work. The legal entitlement to cash welfare was to be ended in favor of a system that required work and other signs of personal responsibility as a condition of receiving benefits. (Haskins 2001, 13.)

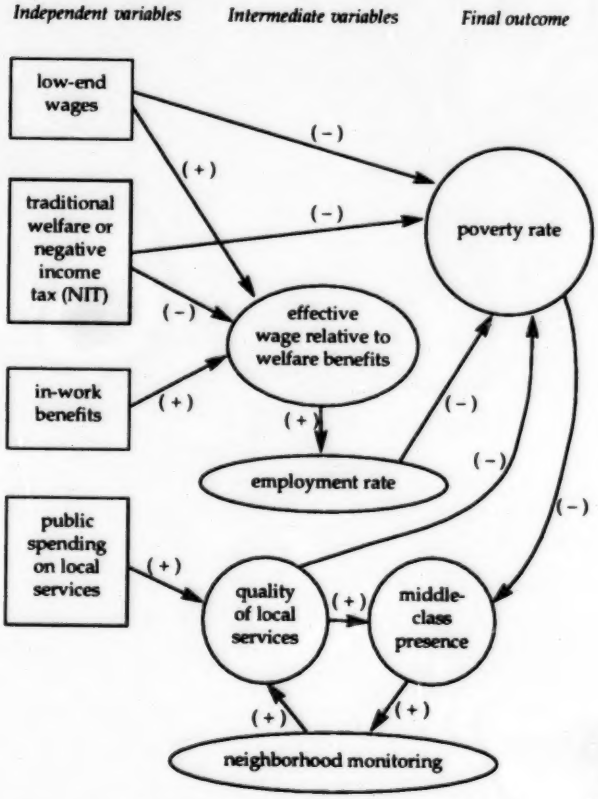
Over the second half of the past decade, several US poverty measures moved in encouraging directions. The number in receipt of welfare declined by more than half between 1995 and 1999.

Over the second half of the past decade, several US poverty measures moved in encouraging directions. The number in receipt of welfare declined by more than half between 1995 and 1999; over the same period, the employment rate among single mothers with young children rose from 50 percent to 62 percent. Simultaneously, declines occurred in measured poverty rates for children overall and for black children in particular (Haskins 2001, 14; Nathan and Gais 2001, 28). But the United States has not become the Panglossian best of all possible worlds. Given reductions in transfers and a high effective tax rate applicable to incremental earnings, incomes have risen by much less than earnings. Wendell Primus (2001, 18) reports that, for the poorest 40 percent of single-parent families, inflation-adjusted post-tax post-transfer incomes rose by an average of only US$300 over these four years.

Obviously, the booming US economy in the latter half of the decade improved prospects for the poor. Furthermore, imposing work requirements on welfare beneficiaries was only one dimension of policy. Congress increased the effective low-end-wage-to-welfare ratio by expanding in-work tax benefits, such as the earned income tax credit (EITC). The EITC operates, over a low-earnings range, as a wage increase equivalent to as much as US$2 per hour. It is now the largest single antipoverty program in the United States; annual EITC benefits are roughly US$30 billion (Kaus 2001, 47).

Disentangling the impact of policy from other relevant factors is not easy. Rebecca Blank, in an attempt to draw "lessons from recent US history" (the title of her article), says that the decline in unemployment during the 1980s' boom did not produce the expected decline in poverty rates because the employment effect was offset by a decline in real wages among less-skilled workers. She concludes that the change in poverty rates was greater in the 1990s because welfare reform and a strong economy interacted positively:

Figure 3: *Model Three*



Note: See the text for an explanation of the bracketed signs beside the arrows.

> [S]trikingly large changes in behavior have occurred because economic forces have reinforced the direction of policy, and both policy and economics have worked together to change behavior much more strongly than either one alone would have been able to accomplish. (2000,10.)

Model Three

To the variables already discussed, model 3 (Figure 3) adds, as a cause of poverty, poor-quality local public services. Additional public investment in such services may help, but only if it is accompanied by neighbors' engaging in active monitoring.

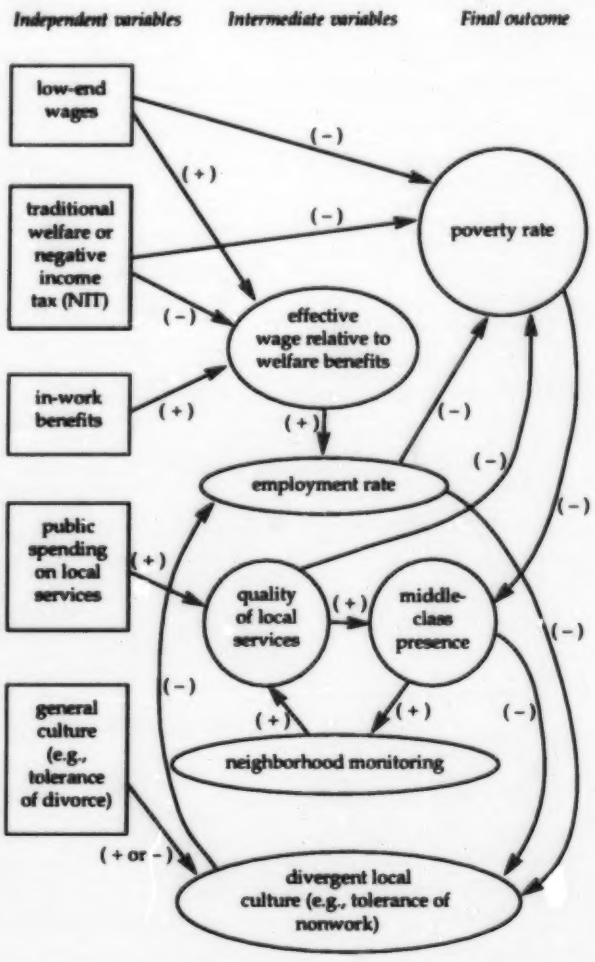
The quality of local public services — schools, most obviously — matters in determining whether children in a neighborhood escape poverty as adults. Other services also matter — for example, public safety viewed as the product of successful policing. Poor neighborhoods have more need of high-quality public services than do other neighborhoods.

If governments go about it thoughtfully, they can, to some extent, reduce poverty by spending on public services. However, poor neighborhoods often develop perverse dynamics that ensure that public spending does not yield the hoped-for results.

Why not? Typically, people who are settled and nonpoor in any neighborhood engage in more monitoring activity than do the transient and poor. Active parents monitor the quality of local schools and libraries; local merchants monitor public conduct on commercial streets. The quality of public services often depends on this kind of monitoring and, without it, may be low regardless of the level of public spending. A high poverty rate in any neighborhood may induce a high incidence of property crime, which, in turn, leads middle-class residents and local merchants to move out. A vicious cycle of geographic segregation by income may ensue. Low-quality neighborhood services induce out-migration among middle class and settled residents (overlapping but not identical groups of people) and ensure inadequate in-migration among the nonpoor who are making residential choices.

In one form or other, these ideas have figured in discussions of urban dynamics for decades — if not centuries. Jane Jacobs' *The Death and Life of Great American Cities* (1961) is a classic description of the role played by neighbors' monitoring of public behavior as a necessary mechanism to make cities livable. James Wilson (1983) consistently advocates tough community policing to control petty street

Figure 4: ***Model Four***



Note: See the text for an explanation of the bracketed signs beside the arrows.

crime, which, he argues, breaks the informal ties within a neighborhood and atomizes individuals. Francis Fukuyama agrees: "People who are too afraid of crime to venture out of their houses at night are not likely to participate in voluntary organizations like PTAs or the Boy Scouts (the exception being, as Wilson notes, organizations like neighborhood watches)" (2000, 122).

Model Four

To the previously discussed variables, model 4 (Figure 4) adds the idea that poverty may depend on the prevailing subculture among neighbors. If, for example, this culture attaches a limited priority to educational achievement and accepts single parenthood as the norm, intergenerational poverty is likely to ensue.

Here, we encounter the complex matter of the values and norms of society, both the general culture prevailing among the majority and local subcultures within neighbourhoods. Culture in this sense almost certainly matters in understanding intergenerational poverty.

Local subcultures may be unambiguously positive. Many poor neighborhoods dominated by first-generation immigrants avoid vicious cycles such as the one described above. The majority of residents are poor themselves, but intent on ensuring middle-class lifestyles for their children, they place great importance on education. In such neighborhoods, schools are usually good, and education outcomes at or above average.

On the other hand, aspects of the general culture may have benign effects overall but encourage the growth of divergent local cultures with negative local consequences. For example, the increased acceptance of divorce and single-parenthood has freed women from restrictive social incentives to remain in bad marriages. However, the effect of this cultural liberalism within poor neighborhoods may be to legitimize single parenthood and reliance on social assistance among young never-married women. A local culture that considers such lifestyles normal contributes to the intergenerational perpetuation of high poverty rates.

Mickey Kaus, another analyst of the 1996 US reform legislation, is typical of those who interpret the role of antipoverty policy as an exercise in cultural change:

> The first essential point about welfare reform is that its success shouldn't be measured by this year's income distribution charts. For most proponents of reform,

> the goal was, as Bill Clinton put it, to "break the culture of poverty" in America's ghettos — to take a culture characterized by welfare dependence, a high rate of births out of wedlock, high male unemployment, and crime and replace it with a new, more virtuous social dynamic, in which every family would be expected to have a breadwinner....The test of reform's success, then, is whether in the long run the largely urban, largely minority, welfare-reliant "ghetto poor" culture is absorbed into the mainstream American culture — whether "underclass" neighborhoods improve, employment rises, the out-of-wedlock birth ratio declines, the streets become safer, and children do better in school.
>
> Reform proponents didn't expect this to happen overnight. They were even perhaps willing to tolerate some short-term sacrifice of income among would-be welfare recipients if that was the price of a long-term cultural transformation. And there are some encouraging signs (the topping-out of the black illegitimacy ratio, the decline in teen births, the increase in female labor force participation, even the gentrification of former ghetto neighborhoods such as Harlem) that the desired change is under way. (2001, 43–44.)

Yet another prominent US analyst of poverty is Lawrence Mead. In an essay written for a British audience in the early months of the Labour government elected in 1997, he summarizes his conclusions on the links between a subculture of poverty, single-parent families, welfare dependency, and nonwork:

> [F]amily breakdown has undercut functioning even though [US] society has become much more fair [than in an age before the 1960s' civil rights programs]. The main task of social policy is no longer to reform society but to restore the authority of parents and other mentors who shape citizens.
>
> Government has no easy way to do that, but the best single thing it can do is to restore order in the inner city. Above all, it can require that poor parents work, because employment failures are the greatest cause of family failures. (1997, 15.)

"Government has no easy way to [restore the authority of parents], but the best single thing it can do is to restore order in the inner city. Above all, it can require that poor parents work, because employment failures are the greatest cause of family failures."

— Lawrence Mead

Although I am sympathetic to Mead's interpretation and have given him the last word in this set of stylized explanations for poverty, there is no need to pronounce on which model is right. Given the uncertainty involved, those responsible for designing policy need to be aware of the truths inherent in all four.

A Tale of Eight Cities

The census data below, disaggregated by type of neighborhood, strongly suggest that proponents of models 3 and 4 are right to insist on the importance of neighborhood effects. To demonstrate that point, this section examines differences in social outcomes between those living in poor and nonpoor neighborhoods. The outcomes are also disaggregated for aboriginals and nonaboriginals. The eight Canadian CMAs discussed in detail in this section are those with the largest aboriginal populations. (See Table 1.)

Let me add an important caveat. The intent here is to document the magnitude of differences across neighborhoods, not to suggest that neighborhood dynamics determine the magnitude of all the differences found. I have made no attempt to use multivariable regression analysis to assess the significance of individuals'

Table 1: ***Aboriginal Population of Selected Census Metropolitan Areas, 1996***

	Aboriginal by Ethnic Origin							
	Indian			Métis				
	Single Origin	Multiple Origin	Total	Single Origin	Multiple Origin	Total	Aboriginal by Identity	CMA Total Population
Vancouver	11,045	26,925	37,970	1,510	7,870	9,380	31,060	1,813,660
Edmonton	9,875	21,455	31,330	3,480	11,105	14,585	32,735	854,000
Calgary	4,130	12,640	16,770	1,155	6,535	7,690	15,090	815,830
Saskatoon	6,750	6,070	12,820	1,420	4,895	6,315	16,130	216,405
Regina	6,235	4,255	10,490	1,125	3,325	4,450	13,595	191,420
Winnipeg	13,950	14,355	28,305	6,875	19,285	26,160	45,640	659,950
Toronto	4,795	29,330	34,125	535	3,860	4,395	15,830	4,229,585
Montreal	5,265	31,065	36,330	990	5,460	6,450	9,605	3,286,910
Total	62,045	146,095	208,140	17,090	62,335	79,425	179,685	12,067,760

Source: 1996 census.

characteristics — income, family structure, and so on — in explaining differences in social outcomes.

Who Lives Where?

To the extent neighborhood effects are relevant, it is of interest to examine the geographic distribution of aboriginal populations within CMAs. Tables 2 and 3 are constructed using Hatfield's distinction between poor and nonpoor neighbourhoods (look back at Box 3).

The *neighborhood poverty rate* is simply the proportion of a specified group of people residing in a neighborhood deemed poor. For example, the first such statistic in Table 3 is 31.8 percent, the percentage of all single-origin Indians living in Vancouver who reside in census tracts deemed poor. (It does not imply that 31.8 percent of single-origin Indians in Vancouver are themselves poor.) The average neighborhood poverty rate across the 12 million residents of these eight cities is 14 percent. Winnipeg apart, the rate is lower for the six cities in the west than for the two in the east.

In the six western CMAs, the neighborhood poverty rates differ substantially: 31 percent among the aboriginal-by-identity population and 8 percent among nonaboriginals.

In the two eastern CMAs, the neighborhood poverty rates for aboriginals exceed those for nonaboriginals, but the differences are not stark. For the aboriginal-by-identity population, the poverty rate in Toronto and Montreal combined is 24 percent; for the nonaboriginal population, it is 18 percent. In the six western CMAs, the neighborhood poverty rates differ substantially: 31 percent among the aboriginal-by-identity population and 8 percent among nonaboriginals.

If we examine aboriginal communities in western CMAs in terms of the ethnic-origin criterion, what emerges is a divergence between single- and multiple-origin aboriginals. Those of mixed origin are twice as likely as nonaboriginals to live in

Table 2: *Population of Selected Census Metropolitan Areas, by Type of Neighborhood, 1996*

	Poor Neighborhoods (1)	Nonpoor Neighborhoods (2)	CMA Total Population (1 + 2) (3)	Neighborhood Poverty Rate (1 / 3) (4)
				(percent)
Vancouver	136,430	1,677,230	1,813,660	7.5
Edmonton	75,265	778,735	854,000	8.8
Calgary	35,250	780,580	815,830	4.3
Saskatoon	21,355	195,050	216,405	9.9
Regina	14,155	177,265	191,420	7.4
Winnipeg	105,230	554,720	659,950	15.9
Toronto	589,760	3,639,825	4,229,585	13.9
Montreal	736,305	2,550,605	3,286,910	22.4
Total	1,713,750	10,354,010	12,067,760	14.2

Source: 1996 census.

poor neighborhoods (18 percent among mixed-origin Indians, 17 percent among mixed-origin Métis, but 8 percent among nonaboriginals). Nonetheless, large majorities among mixed-origin aboriginals have escaped poor neighborhoods. By contrast, single-origin aboriginals are five times more likely than nonaboriginals to live in poor neighborhoods (41 percent among single-origin Indians, 37 percent among single-origin Métis).

Whether aboriginals are defined in terms of identity or ethnic origin, most of their neighborhood poverty rates are above average in the three CMAs of Manitoba and Saskatchewan. The most extreme case is Winnipeg, where the neighborhood poverty rate is 14 percent for nonaboriginals, nearly 50 percent for the aboriginal-by-identity population, more than 50 percent for single-origin Métis, and 67 percent for single-origin Indians.

Aboriginals are overrepresented in poor neighborhoods, many of which display above-average crime rates. No path necessarily leads people in poor neighborhoods into criminal activity, but many relevant theories posit a syndrome in which individual and neighborhood poverty, social marginalization from mainstream activities such as employment, and a "culture of poverty" all contribute to higher crime rates among affected groups.

Table 3: *Neighborhood Poverty Rates, Selected Census Metropolitan Areas, 1996*

	Aboriginal by Ethnic Origin					
	Indian		Métis			
	Single Origin	Multiple Origin	Single Origin	Multiple Origin	Aboriginal by Identity	Non-aboriginal
			(percent)			
Vancouver	31.8	12.4	28.5	10.2	21.9	7.3
Edmonton	27.3	17.2	26.0	14.0	23.0	8.2
Calgary	9.2	6.8	10.8	7.2	9.2	4.2
Saskatoon	45.8	23.0	26.8	19.0	34.1	7.9
Regina	36.6	22.8	22.2	15.5	28.2	5.8
Winnipeg	66.9	33.3	53.5	24.5	48.1	13.5
Toronto	24.1	14.6	33.6	12.6	20.8	13.9
Montreal	27.0	24.5	16.2	26.3	20.7	22.4
Western CMAs	41.0	17.6	37.1	17.0	30.5	7.7
Eastern CMAs	25.6	19.7	22.3	20.6	24.1	17.6

Source: Calculated from unpublished 1996 census data.

Aboriginals are massively overrepresented in the Canadian justice system. According to a survey of inmates in Manitoba correctional institutions conducted by the federal Department of Justice in 1999, the majority were status Indians. Relative to their share of the provincial population, aboriginals' representation in correctional institutions

Box 4: *Labor Force Activity Measures*

The *participation rate* gives the proportion of the adult population over the age of 15 that is in the labor force. Members of the labor force are either employed or unemployed. The *unemployment rate* is the proportion of the labor force that is unemployed. Where the local culture gives only a limited importance to formal employment, the distinction between, on the one hand, being in the labor force and unemployed and, on the other, not being in the labor force and unemployed may have little meaning. Here, a more useful measure is the *employment rate*, which is the proportion of the adult population — not of the labor force — that is employed.

during the 1990s was roughly five times higher in British Columbia, seven times higher in Manitoba, nine times higher in Ontario and Alberta, and ten times higher in Saskatchewan. In Quebec and Atlantic Canada, the overrepresentation was minor. Disproportionately, the crimes for which aboriginals are incarcerated are committed in cities, not in rural communities or on reserves. This result may not, however, indicate a lower on-reserve crime rate; it may instead signal different patterns of response by the justice system on- and off-reserve (Trevethan, Tremblay, and Carter 2000; La Prairie 2001).

Carol La Prairie surveys alternative explanations for socially marginal groups' overrepresentation in the criminal system. Most of this literature relates to US experience. Central to many theories, she concludes, is "a pattern of oppositional culture arising from a lack of participation in mainstream economic and social life and the apparent rejection of these marginalized groups by the broader society" (2001, 4). The pattern may involve racism practiced by the majority; it also involves a self-reproducing "culture of poverty" among the marginalized. Western Canadian cities, arguably, are developing neighborhoods with racially defined subcultures. Whereas the divergent "cultures of poverty" in US ghetto neighborhoods are most pronounced among Hispanics and blacks, in western Canada they are most evident among aboriginals. As is the case in US ghettos, the victims of aboriginal criminal activity are disproportionately members of their own ethnic community. One aspect of this sad fact is the much higher rates of domestic violence suffered by urban aboriginal women than nonaboriginal women (Statistics Canada 2001).

The victims of aboriginal criminal activity are disproportionately members of their own ethnic community. One aspect of this sad fact is the much higher rates of domestic violence suffered by urban aboriginal women than nonaboriginal women.

To understand better the nature of poor neighborhoods and of aboriginals living in them, we turn now to some evidence on employment, education, and mobility.

Who's Working?

Three standard statistics for reporting labor force activity are the *participation rate*, the *unemployment rate*, and the *employment rate* (see Box 4). By all three measures, the population in poor neighborhoods is less engaged in the labor market than the population of nonpoor neighborhoods. For example, among nonaboriginals in the western cities, the participation rate in poor neighborhoods is 7.3 percentage points lower (62.9 percent versus 70.2 percent), the unemployment rate is 6.0 points higher (13.1 percent versus 7.1 percent), and the employment rate is 10.6 points lower (54.6 percent versus 65.2 percent). (See Table 4.)

Among aboriginals, the implicit neighborhood effects are of the same sign but more pronounced. Again referring to the western cities as a whole, the participation rate among aboriginals in poor neighborhoods is 19.8 percentage points lower than in nonpoor neighbourhoods (46.8 percent versus 66.6 percent); the unemployment rate is 18.8 points higher (36.5 percent versus 17.7 percent); and

Table 4: ***Labor Force Characteristics, Selected Census Metropolitan Areas, 1996***

	Poor Neighborhoods			Nonpoor Neighborhoods			All Neighborhoods		
	Employment Rate	Unemployment Rate	Participation Rate	Employment Rate	Unemployment Rate	Participation Rate	Employment Rate	Unemployment Rate	Participation Rate
					(percent)				
Vancouver									
Aboriginal	31.5	36.2	49.4	57.0	16.3	68.1	51.2	19.8	63.9
Nonaboriginal	53.2	14.3	62.1	62.4	7.9	67.7	61.7	8.4	67.3
Total	52.3	15.0	61.5	62.3	8.1	67.7	61.5	8.6	67.3
Edmonton									
Aboriginal	34.6	32.8	51.5	51.8	19.5	64.4	47.8	22.2	61.4
Nonaboriginal	57.3	12.1	65.2	66.6	7.4	72.0	65.8	7.8	71.4
Total	55.5	13.4	64.1	66.2	7.7	71.8	65.2	8.2	71.1
Calgary									
Aboriginal	54.5	20.3	68.3	61.7	12.2	70.3	61.0	13.0	70.1
Nonaboriginal	60.6	9.9	67.3	69.7	6.4	74.4	69.2	6.5	74.1
Total	60.4	10.3	67.4	69.5	6.4	74.3	69.1	6.6	74.0
Saskatoon									
Aboriginal	24.8	40.0	41.3	46.5	20.9	58.7	39.1	25.9	52.8
Nonaboriginal	54.0	10.6	60.3	66.8	6.5	71.5	65.8	6.8	70.5
Total	48.3	14.8	56.6	66.0	7.0	70.9	64.3	7.6	69.5
Regina									
Aboriginal	21.8	41.1	37.1	49.3	22.8	63.9	42.3	25.9	57.1
Nonaboriginal	49.7	15.3	58.7	67.1	6.0	71.4	66.1	6.5	70.6
Total	44.4	18.6	54.6	66.4	6.6	71.1	64.8	7.3	69.9
Winnipeg									
Aboriginal	27.7	38.8	45.2	56.8	17.9	69.1	43.4	25.4	58.1
Nonaboriginal	52.7	13.9	61.3	64.6	6.1	68.7	62.9	7.1	67.7
Total	48.7	17.0	58.6	64.3	6.5	68.8	61.8	7.9	67.2
Toronto									
Aboriginal	40.1	27.3	55.2	61.9	12.0	70.3	57.1	14.8	67.0
Nonaboriginal	50.9	15.7	60.3	62.7	8.2	68.3	61.1	9.1	67.2
Total	50.8	15.7	60.3	62.7	8.2	68.3	61.1	9.1	67.2
Montreal									
Aboriginal	38.8	26.1	52.5	51.7	21.2	65.6	47.5	22.6	61.3
Nonaboriginal	46.5	18.4	57.0	59.4	9.3	65.5	56.5	11.2	63.6
Total	46.5	18.5	57.0	59.4	9.4	65.5	56.4	11.2	63.6
Western cities									
Aboriginal	29.7	36.5	46.8	54.8	17.7	66.6	47.3	22.1	60.7
Nonaboriginal	54.6	13.1	62.9	65.2	7.1	70.2	64.3	7.6	69.6
Total	52.3	14.8	61.4	64.9	7.4	70.1	63.8	7.9	69.3
Eastern cities									
Aboriginal	39.5	26.8	53.9	58.5	14.9	68.7	53.6	17.5	64.9
Nonaboriginal	48.4	17.2	58.4	61.4	8.7	67.2	59.1	10.0	65.6
Total	48.3	17.2	58.4	61.4	8.7	67.2	59.0	10.0	65.6
Alberta cities									
Aboriginal	38.1	30.1	54.4	55.4	16.8	66.5	52.0	19.0	64.2
Nonaboriginal	58.5	11.3	65.9	68.2	6.9	73.2	67.5	7.2	72.7
Total	57.2	12.3	65.2	67.9	7.1	73.1	67.1	7.4	72.5
Manitoba and Saskatchewan cities									
Aboriginal	26.6	39.2	43.7	52.9	19.5	65.7	42.4	25.5	56.9
Nonaboriginal	52.6	13.6	60.9	65.5	6.2	69.8	64.0	6.9	68.8
Total	48.2	16.9	58.0	65.0	6.6	69.6	62.8	7.8	68.1

Note: The aboriginal statistics were derived using the relevant self-identity populations. The nonaboriginal statistics were derived from the residual that did not self-identify as aboriginal.

Source: Calculated from unpublished 1996 census data.

the employment rate is 25.1 points lower (29.7 percent versus 54.8 percent). The lowest employment rates are among aboriginals living in poor neighborhoods in the three Manitoba and Saskatchewan cities (between 21.8 percent and 27.7 percent).

Who Finished School?

The census data on education are presented for each of the eight CMAs in the form of education profile figures for the relevant populations 15 years of age and older (see Figure 5, panels A–H, on pp. 18–19). Each profile represents the cumulative educational attainment. The height of the curve for any educational level is the percentage of the relevant population having the specified level or less. For example, among aboriginals in nonpoor neighborhoods in Vancouver, 37.4 percent have not completed high school and 48.5 percent have no more than a high school diploma. The difference between the first and second statistics (48.5 – 37.4 = 11.1) is the proportion with a high school diploma but no further formal training. The third value, 96.5 percent, indicates the percentage with some postsecondary training (which may include a trade certificate, a community college degree, or some university studies short of a degree). The difference between this third statistic and the second (96.5 – 48.5 = 38.0) is the proportion of the total that has finished high school and pursued some further training short of a university degree. The final value, by construction 100 percent, is the relevant population. The difference between the fourth and third statistics (100.0 – 96.5 = 3.5) gives the proportion having earned a university degree.

If everyone in a population possessed a university degree, its profile would resemble an L rotated around a vertical axis. If no one had completed high school, the profile would be a horizontal line along the top of the figure. Rotating an education profile counterclockwise implies higher educational achievement. As to be expected, the education profiles of those in nonpoor neighborhoods dominate those in poor neighborhoods within both racial groups.

In Winnipeg, the most extreme case, fully 66 percent of aboriginals in poor neighborhoods and 55 percent of all aboriginals lack a high school diploma.

The education profiles for individuals in poor neighborhoods, especially for aboriginals in poor neighborhoods, reveal a disturbing lack of educational achievement. In Winnipeg, the most extreme case, fully 66 percent of aboriginals in poor neighborhoods and 55 percent of all aboriginals lack a high school diploma. (One cannot conclude from these numbers that matters are better elsewhere in the province. For example, high school completion rates among registered Indians on-reserve are even lower than in poor Winnipeg neighborhoods.[5])

5 The Aboriginal Affairs Secretariat of the Manitoba government prepared the following statistics on high school completion rates using 1996 census data (Bostrum 2001).

Age	Non-aboriginals	All Aboriginals	Métis	Registered Indians	
				Off-Reserve	On-Reserve
			(percent)		
15–29	63	34	45	36	25
30–39	77	51	57	54	41
40–49	74	47	51	52	41
Total	61	38	46	42	28

Box 5: *Mobility*

A *migrant* is someone who came to his or her current residence from beyond the current census subdivision. (A *census subdivision* is a set of census tracts defined by some geographic or political criterion, such as a municipality within a census metropolitan area.) The data reported here refer to those who migrated within the past year. The census also records (not reported here) those who have migrated within the last five years. Migrants are a subset of *movers*, people who changed addresses, regardless of the distance from the previous residence. As with migrants, the data I use here refer to individuals who moved within the past year. The census also records (but again I do not report) those who moved within the past five years.

The results in the other western cities are better than Winnipeg's but still disturbing. In Regina and Saskatoon, roughly half of all aboriginals (more than 60 percent of those in poor neighborhoods) are without high school diplomas. The least bad results are in Vancouver and Calgary, where 48 percent of aboriginals in poor neighborhoods and roughly 40 percent overall have not completed high school.

Who Is Mobile?

The census employs two variables to measure mobility: for *migrants*, the distance between old and new residences is larger than for *movers* (see Box 5 and Table 5). Be aware, however, that these data do not capture migration patterns that entail no change of address. If, for example, an aboriginal family withdraws its children from school and spends two months in the parents' original home community and then returns, that movement will not appear in the result.

Aboriginals are about 50 percent more likely to be migrants than are nonaboriginals, but the within-year migration rate for both communities is less than 10 percent. There is little difference between residents of poor and nonpoor neighborhoods.

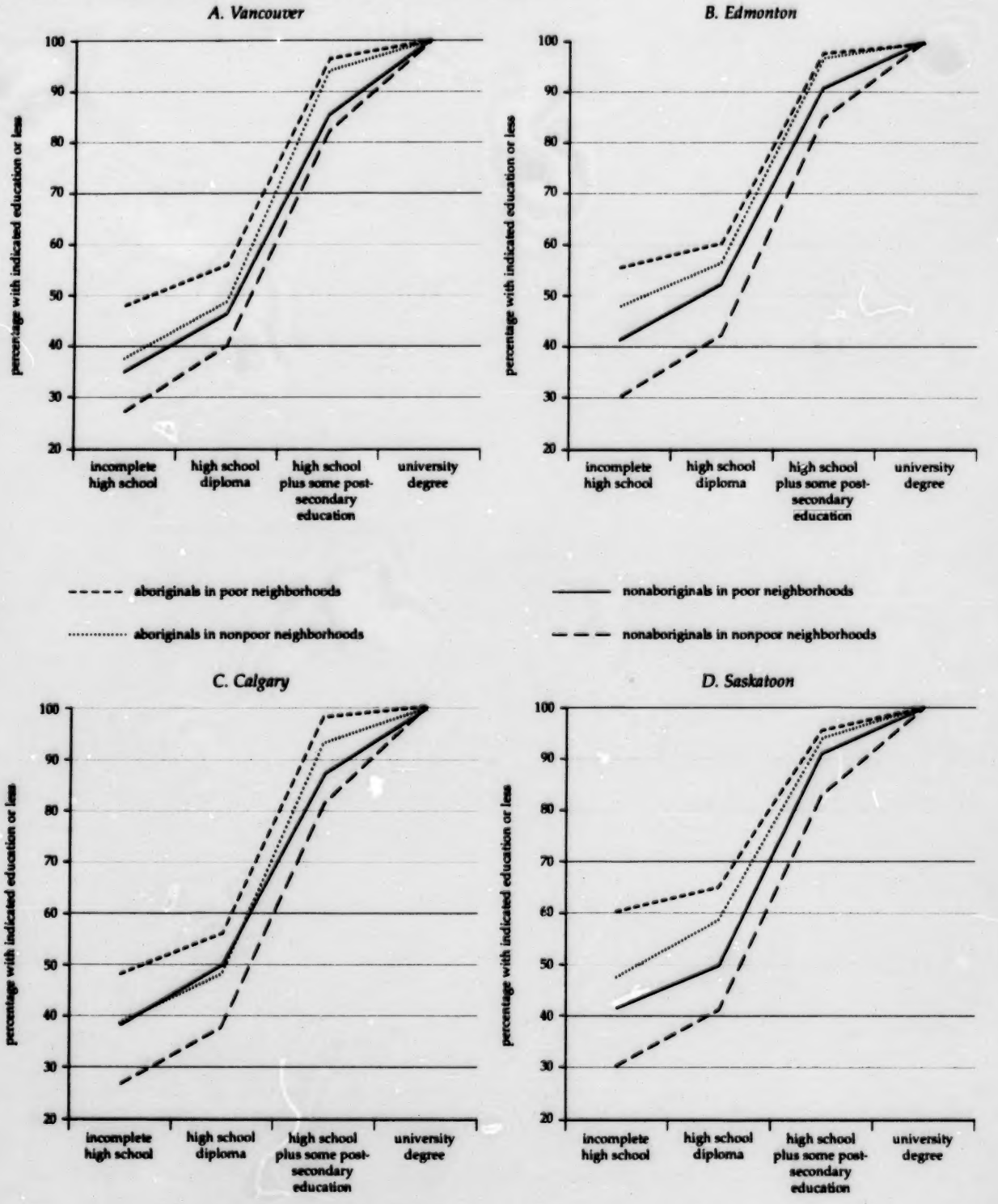
Large mobility differences do turn up, however, with respect to movers. Overall, moving is more prevalent in the western than in the eastern cities, in poor neighborhoods than in nonpoor neighborhoods, and among aboriginals than nonaboriginals. One in four nonaboriginals in poor neighborhoods of a western city had moved within the year at the time of the census; for those living in nonpoor neighborhoods, only one in six had done so (25.7 percent versus 17.4 percent). Among aboriginals in poor neighborhoods of a western city, nearly one in two had moved, but it was one in three in nonpoor neighborhoods (46.2 percent versus 32.5 percent).

The implications of mobility are ambiguous. A family may change residence on finding better accommodation or employment in some other neighborhood or community. In such cases, mobility is generally a positive outcome. However, the implications are often not benign. Frequent family moves disrupt children's educational environments. The 1998 student turnover rate among the nine Winnipeg elementary schools in which aboriginals made up more than a quarter of the student population ranged between 45 percent and 95 percent, compared with a 20 percent average for all inner-city Winnipeg schools. A 10 percentage point increase in the aboriginal share of a school's student population was associated that year with a 14 percentage point increase in the school's predicted turnover rate (Clatworthy 2001).

A 10 percentage point increase in the aboriginal share of a school's student population was associated that year with a 14 percentage point increase in the school's predicted turnover rate.

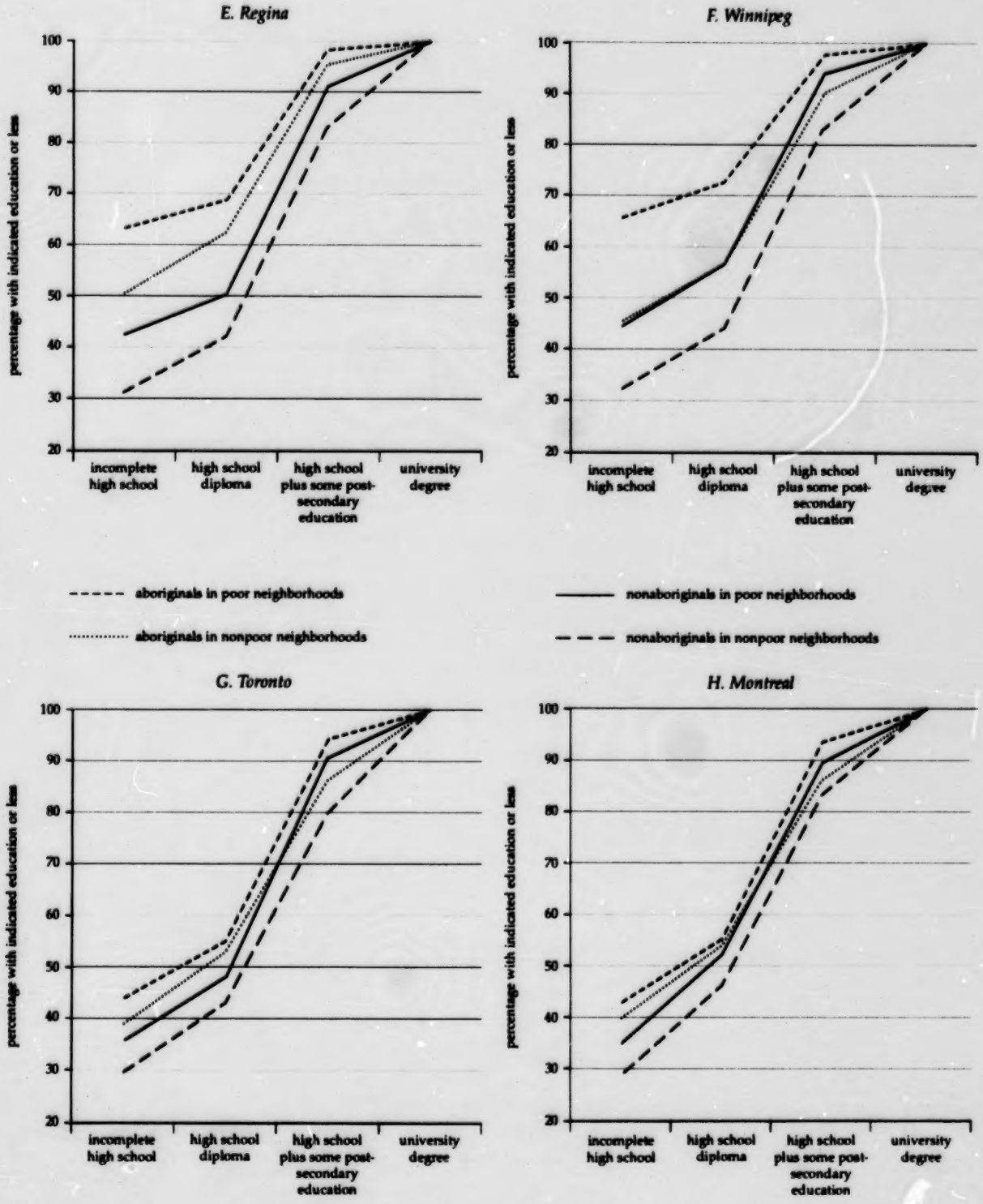
Another concern is that populations experiencing very high turnover are less able to generate the informal monitoring that contributes to high-quality public services.

Figure 5: ***Education Profiles for Eight Census Metropolitan Areas***



Source: Calculated from unpublished 1996 census data.

Figure 5 – continued



Source: Calculated from unpublished 1996 census data.

Table 5: ***Within-Year Movers and Migrants, Selected Census Metropolitan Areas, 1996***

	Poor Neighborhood			Nonpoor Neighborhood			Census Metropolitan Area		
	Aboriginal	Non-aboriginal	Average	Aboriginal	Non-aboriginal	Average	Aboriginal	Non-aboriginal	Average
					(percentage of residents)				
					Movers				
Vancouver	43.0	25.8	26.6	31.1	18.8	19.0	33.7	19.3	19.5
Edmonton	54.5	26.9	29.7	33.9	16.4	16.9	38.7	17.2	18.1
Calgary	50.9	32.8	33.6	36.5	19.2	19.5	37.8	19.8	20.1
Saskatoon	52.8	21.4	29.5	39.2	18.4	19.5	43.8	18.6	20.5
Regina	46.7	26.5	31.9	30.9	14.9	15.7	35.4	15.5	16.9
Winnipeg	42.2	22.5	26.6	27.8	12.6	13.2	34.7	13.9	15.4
Toronto	31.3	18.7	18.8	24.0	13.8	13.8	25.5	14.5	14.5
Montreal	35.1	21.7	21.8	19.1	12.5	12.5	23.8	14.6	14.6
Western cities	46.2	25.7	28.2	32.5	17.4	17.8	36.7	18.1	18.7
Eastern cities	33.1	20.4	20.5	22.3	13.3	13.3	24.9	14.5	14.6
					Migrants				
Vancouver	11.2	10.1	10.1	12.0	8.7	8.8	11.8	8.8	8.9
Edmonton	13.0	6.0	6.7	10.3	5.5	5.6	10.9	5.5	5.7
Calgary	18.6	9.6	10.0	11.3	5.8	5.9	12.0	5.9	6.1
Saskatoon	14.7	5.8	8.1	10.6	6.2	6.4	12.0	6.1	6.6
Regina	9.6	5.8	6.9	7.2	4.7	4.8	7.9	4.8	5.0
Winnipeg	7.5	4.2	4.8	5.0	3.1	3.2	6.2	3.2	3.4
Toronto	9.1	7.2	7.2	9.3	6.1	6.2	9.2	6.3	6.3
Montreal	11.9	7.2	7.2	9.6	5.8	5.8	10.3	6.1	6.1
Western cities	10.2	7.4	7.8	9.4	6.5	6.6	9.7	6.6	6.7
Eastern cities	10.4	7.2	7.2	9.4	6.0	6.0	9.6	6.2	6.2

Source: Calculated from unpublished 1996 census data.

I already referred to Haveman and Wolfe's conclusion that the statistical literature shows that growing up in a "good" neighborhood has a positive effect on children's attainments. Another of their conclusions is that "[s]tressful events during childhood (e.g., changes in geographic location) appear to have large and independent negative effects on a variety of indicators of children's attainments" (1995, 1871).

Higher rates of moving among aboriginals in western CMAs than among those in eastern CMAs is correlated with lower rates of aboriginal employment. The direction of causation probably runs from a low employment rate and reliance on social assistance income to high rates of moving. However, any such explanation must be qualified. The Alberta CMAs, with their above-average aboriginal employment rates, display above-average moving rates.

What's to Be Done?

The census data reveal that today's social outcomes among urban aboriginals are clearly unsatisfactory along many dimensions. What to do about the situation is much less clear.

A preamble for success is, as Alan Cairns (2000) insists, to reinvigorate a sense of shared citizenship among aboriginals and nonaboriginals, to create a community-wide appreciation of the gravity of the problems and the need for initiatives that transcend legally inspired treaty negotiations relevant only to reserve-based aboriginal communities. And, once determined to act, politicians must undertake honest and blunt discussions with those most affected. None of this will be easy.

Customarily, discussion of aboriginal policy assumes that the federal government take the lead. By contrast, the recommendations here place the onus on provincial governments.

Customarily, discussion of aboriginal policy assumes that the federal government take the lead. By contrast, the recommendations here place the onus on provincial governments. Before proceeding further, it is worth a brief detour into the matter of jurisdiction. The *British North America Act* specified "Indians, and Lands reserved for Indians" (section 91(24)) as one of the matters over which Ottawa would exercise exclusive jurisdiction. This has come to mean exclusive federal jurisdiction over on-reserve policy. Since 1982, the *Constitution Act* has also included reference to treaty rights. Although the Constitution is mute with respect to Métis and registered Indians living off-reserve, recent court decisions have extended limited treaty rights to them (Assiniwi et al. 2001). With this qualification, the provinces exercise jurisdiction for all Canadians — including aboriginals off-reserve — with respect to K-12 education and social assistance.

In thinking through policy options, we may well find useful lessons in the past two decades of welfare reform in the United States. Like current Canadian aboriginal policy, most US antipoverty policy until the 1980s derived from legislation enacted in the national capital. For many decades, the largest single US antipoverty program was Aid to Families with Dependent Children (AFDC). It began as a modest New Deal program, intended to provide income for widows raising children. By the 1960s, it had become a large program of direct transfers to poor, single-parent families. The money was channeled from Washington through state governments, which could adjust some parameters. Benefits were subject to high clawback rates on earned income. Its inadequacies — significant incentives in favor of single-parenthood and against work — finally induced Congress to put an end to AFDC in 1996 and to substitute a program of block grants to the states.

Important in the national US policy debate has been the experience of those states whose governments committed themselves to sustained experimentation with alternatives to AFDC. The most ambitious states, such as Wisconsin and Minnesota, experimented with many programs: imposition of work requirements for the receipt of assistance, job clubs, public-employer-as-last-resort, magnet schools in depressed neighborhoods, generous child care provisions, and so on. In general, these programs proved more costly than the status quo, but they also generated significant results in terms of reduced welfare caseloads and modest increases in incomes among the poor.[6] Without sustained experimentation and

6 There is a vast literature evaluating state experiments in welfare policy over the past two decades. Michael O'Keefe (2000), Commissioner of the Minnesota Department of Human Services, provides an accessible survey of his state's experimentation.

political commitment at the state level, it is doubtful that Congress would have undertaken the significant legislative reforms culminating in President Clinton's signing of the 1996 welfare reform bill.

The US experience underlines my intuition: no single policy reform can slice through the Gordian knot of interwoven aboriginal problems. Ottawa and the provinces have put in place a multitude of specific programs intended to improve matters for urban aboriginals: housing programs, health clinics, community centers, training programs, and so on. Many of these are yielding benefits and deserve support.

The two recommendations advanced here are, however, directed at a different level of government. They are based on my conclusion that a necessary ingredient in urban aboriginal policy is commitment from *provincial* cabinets to view comprehensively the problems posed by emergence of ghetto-like syndromes in many neighborhoods within major Canadian cities, particularly those in the four western provinces. (Although aboriginals are overrepresented in such neighborhoods, it is worth remembering that the majority there is nonaboriginal. Much of the policy discussion below is relevant for all who are poor, independent of race.)

The two essential dimensions of policy reform are, I suggest, high-profile institutional changes to enhance aboriginal parents' engagement in the educational outcomes of their children and social assistance reforms that significantly increase the incentives to undertake work and rely less on welfare. Both raise ideologically divisive moral dilemmas and genuine conflicts of interest. A guarantee of success is impossible, but reform will assuredly fail without continuous attention from senior officials and politicians.

Inasmuch as the following is not the result of what I called above "honest and blunt discussions with those most affected," these recommendations may appear premature. As a preamble, however, blunt discussions require posing viable policy alternatives to the status quo, which, one hopes, the following discussion does.

Recommendation One

My first recommendation is deceptively simple: implement an aboriginal school system in major cities.

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Each generation of parents repeats to its children — and probably has ever since tutors first taught the children of the elite — that formal education matters in determining success in socially complex societies. Groups with low average education levels are condemned to low average incomes. To enable aboriginals to increase their earnings significantly — which is necessary to render employment significantly more rewarding for families than reliance on welfare benefits — a dramatic change in aboriginal education profiles is required. Strategies to reduce high dropout rates must be central to any worthwhile aboriginal strategy. The contrast in education profiles is one of the most disturbing of the differences between aboriginals and nonaboriginals.

Only 38 percent of aboriginal students are graduating from British Columbia high schools. For nonaboriginals, the comparable figure is 77 percent. The worst results are in northern rural districts where, in one case the aboriginal graduation rate was just 5 percent. The British Columbia Human Rights Commission describes these results as "horrifying" and recently announced a series of public hearings

into a situation it characterizes as "systemic discrimination" (Steffenhagen 2001, A3). Perhaps discrimination is at work but I doubt it. The commission has produced no evidence that public authorities are consciously providing aboriginal children with education services of lower quality than those for nonaboriginal children. If anything, the province's teachers and education authorities are more conscious of these "horrifying" results than are most citizens, and more concerned about redressing the problem.

Urban aboriginals, with whom this *Commentary* is concerned, generally have better education outcomes than aboriginals in rural areas. That is faint praise, as Figure 5 attests. An implication of model 3 above is that people in poor neighborhoods have a tendency to remain poor because the supply of local education services is inadequate due to weak parental monitoring. Model 4 suggests that aspects of local culture may lower parental and peer interest in educational achievement. Thus, a necessary policy goal is to increase simultaneously the supply of and the demand for education services.

Much of the explanation for aboriginal education outcomes probably lies in social dynamics beyond the reach of any feasible education policy. To the extent that policy can improve matters, however, schools in communities with significant aboriginal populations could better reflect that cultural reality and thereby augment parental interest in monitoring school performance. Certain inner-city schools are doing just that in an effort to help aboriginal students complete their studies.[7] We need more such experiments.

One reform that could significantly increase the number of aboriginal children who complete secondary school would be to establish school systems specifically for aboriginals. Such a recommendation is certain to have critics. Although multiple publicly funded school systems, based on religious distinctions and language, have existed in Canada throughout its history, their existence has frequently been controversial on the grounds that they perpetuate particular cultures intergenerationally and subtract from a shared sense of citizenship.

Although multiple publicly funded school systems, based on religious distinctions and language, have existed in Canada throughout its history, their existence has frequently been controversial.

Separate systems may have that effect, but the critique presumes that schools should be instruments for realizing cultural homogeneity. In Canada, the founding contract of Confederation involved the expectation that Protestant and Catholic institutions and the two linguistic communities would survive intergenerationally. For the majority to have insisted on Protestant institutions and English-language predominance throughout the new dominion would have assured defeat of Confederation as a political project. Today, religiously based differences are — at least in Canada — the source of less passionate conflict than they were in the nineteenth century; on the other hand, linguistic differences continue to count. Accordingly, Canadian K-12 education operates under the expectation that separate school systems will exist wherever the numbers of children in the two official language communities justify the fixed costs of two systems.

A second line of argument also defends multiple publicly funded school systems. Public concerns over schools as means of preserving religiously based

7 A personal note. Aboriginals now comprise nearly half the enrollment of my alma mater, Nutana High School, in Saskatoon. The administrators of this school now actively recruit aboriginal teachers and students and stress aboriginal culture in elective school courses.

distinctions are, in our secular age, far less passionate than at the time of Confederation. Nonetheless, many parents want to preserve denominational school systems less to promote religious faith and more to provide a kind of internal market within a universal publicly funded school system. Multiple systems enable parents to enjoy a measure of choice, and the competition to attract students may encourage schools to improve their performance.

The cultural expectation among aboriginals is analogous to that of francophones, particularly francophone Quebecers. A core political expectation of the latter is that they be able to exercise control, via Quebec City, over institutions that transmit language and culture intergenerationally. Many aboriginals have an analogous expectation, whether they reside on-reserve or have decided to participate in mainstream industrial society. Were an urban aboriginal school system to exist, one over which aboriginals exercised meaningful control, it might, as critics fear, exacerbate racial segregation. On the other hand, it would probably increase parental involvement and lead to better educational outcomes than at present. In the longer term, better education profiles and correspondingly higher incomes would contribute more to racial harmony than insistence on the present school system, formally neutral with respect to race but in practice generating unacceptably poor outcomes for aboriginal students.

An aboriginal school system would probably increase parental involvement and lead to better educational outcomes, which would contribute more to racial harmony.

Were the principle of multiple publicly funded school systems extended to include an aboriginal system in those communities "where numbers warrant" — to borrow the language of the Charter of Rights and Freedoms as it applies to minority official language schools — it would be important to think through the details. The following points would need attention.

- Parents, both aboriginal and nonaboriginal, should be free to send their children to either an aboriginal or nonaboriginal school. This arrangement would encourage competition between systems.
- The school board should be elected democratically by the parents of all children in the system, including any nonaboriginal parents who choose to place their children in it.
- The school administration would have to be shielded from the lack of accountability that unfortunately characterizes governance on many reserves. To be blunt, new urban aboriginal school systems should not be under band control.
- To maintain academic standards, all schools should be required to teach the same core curriculum, and all students should periodically sit province-wide exams on it.

The source of many ideas in this section is Allan Blakeney, who has long promoted extension of the concept of multiple public school systems to include an aboriginal system in cities containing large aboriginal populations. Here is a recent summary of his case:

> I see it as next to impossible for us to be able to create reserves which provide an appropriate economic base for all or most of the growing population of Aboriginal people. We know that some will wish to remain [on-reserve]....We know that some will move to the cities and integrate with the economic mainstream. We know that

"If schools operated by Aboriginal school boards...can be created, it may well be possible to create a much higher level of cultural comfort and thereby permit Aboriginal people to pursue economic opportunities without massive cultural deprivation."

— Allan Blakeney

> some will move back and forth — a transitional group.... [Aboriginals] leave the reserve because there is no economic opportunity for them and particularly for their children. It seems to me that they return to the reserve because on the reserve they experience a sense of place... and also because on the reserve they have a level of cultural comfort greater than in the alien urban setting. Nothing much can be done about the [loss of] sense of place [once in the city]. However, something can be done about the sense of cultural comfort. If schools operated by Aboriginal school boards and social agencies controlled by Aboriginal boards can be created, it may well be possible to create a much higher level of cultural comfort and thereby permit Aboriginal people to pursue economic opportunities without massive cultural deprivation.[8]

Recommendation Two

My second recommendation is to *make work pay and to render access to untied welfare benefits harder for the employable unemployed*. The connection with my first proposal is the search for policies to increase employment rates in very poor neighborhoods.[9]

In-Work Benefits

Underlying all variants of models 2 through 4 above is the assumption that a dollar of earnings generates more benefits to the poor than a dollar of untied transfer income. Hence, in allocating public budgets, it is worth sacrificing some degree of short-term redistribution in order to design programs that induce work and — one hopes — greater redistribution over the long term. In both the United States and the United Kingdom, this argument has convinced legislators to spend generously on in-work benefits (such as the EITC in the United States and the Working Families Tax Credit in the United Kingdom).

The pioneer Canadian program to deliver in-work benefits to low-income families has been Quebec's APPORT.[10] Over the 1990s, several provinces experimented with such programs, as did Ottawa via the Self-Sufficiency Project.[11]

The Cardinal Reforms

To augment employment and reduce adverse neighborhood effects, "carrots" such as in-work benefits are valuable, but they do not suffice. In addition, a necessary "stick" is stricter access to social assistance than has been the administrative norm across Canada over the last generation. In the short run, programs of stricter access would generate some hardship, and opposition among advocacy groups representing the poor is to be expected. To restate the obvious, tough programs on access make sense only when combined with other services — child care subsidies, adult training, and so on — designed to accommodate the transition to employment.

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8 Personal communication dated August 14, 2001.

9 Most of the argument in this section applies equally to aboriginal and nonaboriginals.

10 This is the acronym for its French title, Aide aux parents pour leurs revenus de travail.

11 Elsewhere (Richards 1999), I have reviewed the case for earnings supplements, including a discussion of the variants mentioned: the US EITC, the UK Working Families Tax Credit, APPORT in Quebec, and the federal Self-Sufficiency Project.

The rationale for making employable adults' access to social assistance more difficult is that, without such a change, employment rates among the poor would probably not rise significantly.

The rationale for making employable adults' access to social assistance more difficult is that, without such a change, employment rates among the poor would probably not rise significantly. Within Canada, the one jurisdiction to have accepted this conclusion unambiguously has been Alberta. Its reforms have rendered access to welfare considerably more difficult for those Albertans deemed employable. Given that aboriginals are a quarter to a half of the off-reserve social assistance caseload in the western provinces, Alberta's reforms affected them greatly.[12]

The first round of Alberta's welfare reforms took place in 1993 as part of the province's exercise in deficit elimination. At the time, the minister of family and social services was Mike Cardinal, himself an aboriginal and a consistent critic of the impact of welfare on aboriginal communities. As he says:

> Prior to 1950, [aboriginal] communities in northern Alberta were independent from government and completely self-sufficient. Everybody worked, there was no welfare system, we had our own health care system, alcoholism was very limited, family breakdowns were very limited, people practiced their culture, and lived off the land in a traditional way.
>
> We changed that with good intentions, but within 15 or 20 years (by 1970) 80 to 90 percent of the members in those communities had moved onto the welfare system completely.... I know, and we all know in Canada, that welfare is not the best way of dealing with poverty and unemployment. (1995, 6.)

In 1993, the proportion of residents of the western provinces that received general social assistance ranged between roughly 7 percent and 9 percent. Alberta ranked third highest, with a rate slightly above that of Saskatchewan. In Ontario and Quebec, the proportions lay in the 10 to 12 percent range. Between 1993 and the census year of 1996, the proportion in receipt of welfare fell in Alberta to 4 percent. In the other three western provinces, the analogous statistic increased or remained static. In Ontario, it peaked and began to decline; in Quebec, it continued to increase. In both central provinces, approximately 11 percent of residents were receiving welfare in 1996. By 2000, the proportion in receipt of welfare had declined in all provinces: to nearly 2 percent in Alberta, to roughly 6 percent in each of the three other western provinces, and to the 7 to 9 percent range in the central provinces. (See Figure 6.)

Doubtless, Alberta's welfare reforms induced some migration of registered Indians back to their reserves and of other potential social assistance recipients to neighboring provinces with more liberal access regimes. The extent of such moves was, however, minor relative to the reduction in the number of provincial welfare beneficiaries. Specifically, Alberta's reforms generated very little increase in migration to British Columbia.[13]

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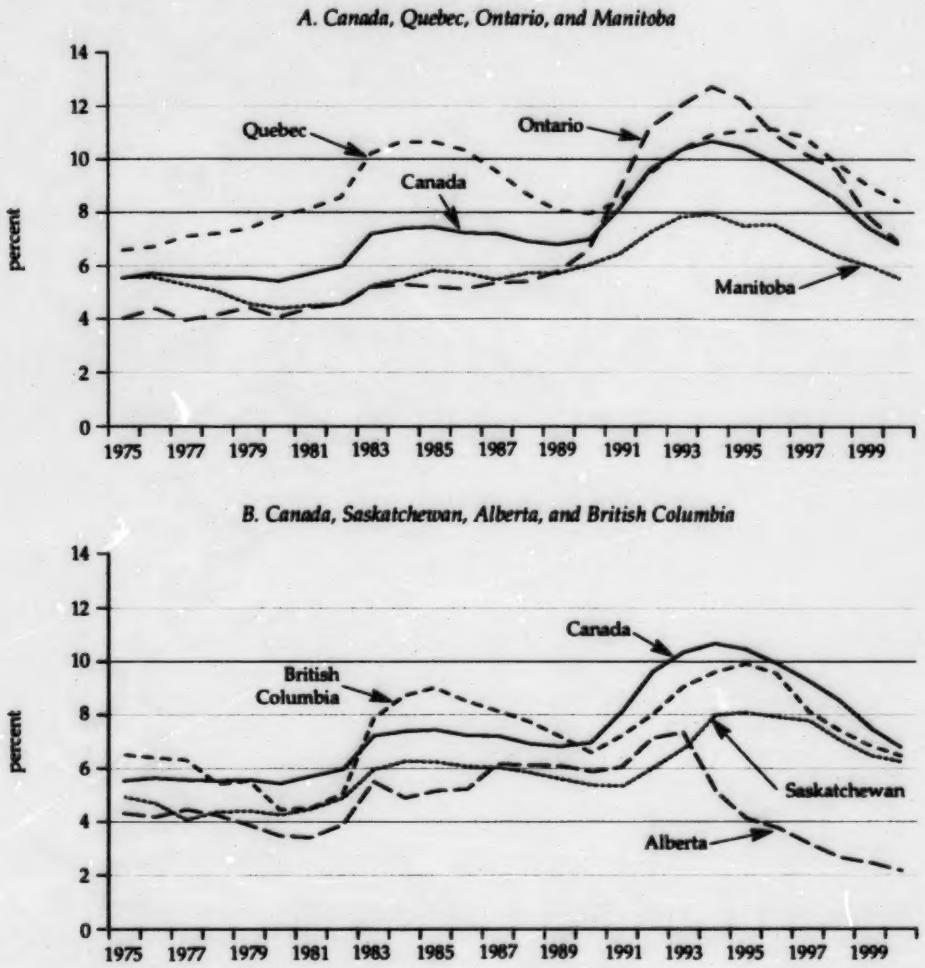
12 This range is based on informed guesses by senior officials in the social service ministries of the western provinces.

13 The average number of on-reserve registered Indian welfare beneficiaries in Alberta in 1992, the year before the Cardinal reforms, was 21,300. This number peaked in 1996 at 25,600, an increase of 4,400. Over the same four-year period, the number of general welfare beneficiaries (excluding on-reserve aboriginals) among the Alberta population changed from 188,300 to 105,600, a decline of 82,700. Judging by data gathered by the British Columbia Ministry of Social Services, the Cardinal reforms did not induce any identifiable increase in the migration of social assistance recipients from Alberta. (See Canada 2000, tables 361 and 435; Richards 1997, 154–161, 231–233.)

Figure 6: ***Proportion of Population Receiving General Social Assistance, 1975–2000***



Source: Calculated from data assembled by the Department of Human Resources Development (Canada 2001b).

The data in Table 6 provide some evidence of the impact of Alberta's reforms and their effect on labor force activity in poor neighborhoods, among both aboriginals and nonaboriginals. The most dramatic differences exist in comparisons across western cities among aboriginals living in poor neighborhoods. Relative to such neighborhoods in the Manitoba and Saskatchewan cities, for example, those in Alberta have a 10.8 percentage point higher labor force participation rate (54.4 percent versus 43.7 percent), a 9.1 point lower unemployment rate (30.1 percent versus 39.2 percent) and a 11.5 point higher employment rate (38.1 percent versus 26.6 percent). Although the Vancouver-Alberta differences are not as dramatic, the labor force measures among aboriginals in poor Alberta city neighborhoods were also better than those in analogous Vancouver neighborhoods.

Notice that, in aggregate, the two eastern cities display higher employment rates among aboriginals, in both poor and nonpoor neighborhoods, than do the

Table 6: ***Labor Force Characteristics, Selected Census Metropolitan Areas Relative to Alberta Cities***

	Poor Neighborhoods			Nonpoor Neighborhoods			All Neighborhoods		
	Employment Rate	Unemployment Rate	Participation Rate	Employment Rate	Unemployment Rate	Participation Rate	Employment Rate	Unemployment Rate	Participation Rate
					(percentage points)				
Alberta cities less eastern cities									
Aboriginal	–1.4	3.3	0.5	–3.1	1.8	–2.2	–1.6	1.5	–0.7
Nonaboriginal	10.1	–5.9	7.5	6.8	–1.8	6.0	8.4	–2.9	7.1
Total	8.8	–4.9	6.8	6.5	–1.6	5.9	8.1	–2.6	6.9
Alberta cities less Manitoba and Saskatchewan cities									
Aboriginal	11.5	–9.1	10.8	2.5	–2.7	0.8	9.7	–6.6	7.3
Nonaboriginal	5.8	–2.2	5.0	2.7	0.7	3.4	3.5	0.3	3.9
Total	9.0	–4.5	7.2	2.9	0.4	3.4	4.3	–0.4	4.4
Alberta cities less Vancouver									
Aboriginal	6.6	–6.1	5.0	–1.7	0.5	–1.6	0.8	–0.9	0.3
Nonaboriginal	5.2	–3.0	3.8	5.8	–1.1	5.4	5.8	–1.2	5.4
Total	4.9	–2.7	3.6	5.6	–1.0	5.3	5.6	–1.2	5.2
Alberta cities less all other cities									
Aboriginal	8.5	–6.1	8.0	0.0	–0.7	–0.6	5.1	–3.2	3.8
Nonaboriginal	9.3	–5.3	7.0	6.2	–1.4	5.6	7.5	–2.3	6.5
Total	8.5	–4.7	6.5	6.0	–1.3	5.5	7.3	–2.1	6.3

Note: All differences were derived from statistics on the eight CMAs considered in the text. The subsets are: Alberta cities (Calgary, Edmonton); Manitoba and Saskatchewan cities (Winnipeg, Regina, Saskatoon); eastern cities (Toronto, Montreal).

Source: Calculated from unpublished 1996 census data.

western cities. The eastern rates are even higher than those of Alberta. A partial explanation is probably that neighborhood poverty rates are much lower in eastern cities than in western ones, particularly among single-origin aboriginals (refer back to Table 3.) Lower neighborhood poverty rates mean a lower prevalence of the syndromes associated with poor neighborhoods.

Of course, welfare policy is not the only relevant variable. Turn back to Table 4 and note that Calgary's 1996 employment rate in poor neighborhoods was higher than Edmonton's, a difference presumably explicable in terms of local labor demand. Two proxies for local labor demand are the local unemployment rate and the local employment rate in nonpoor neighborhoods. Relative to Edmonton, Calgary enjoyed a lower unemployment rate and higher employment rate in nonpoor neighborhoods. While many variables influence employment in poor neighborhoods, I conclude from simple regressions on the eight CMAs under review that Alberta's welfare reforms were of prime importance.[14]

14 The first regression result, using the local unemployment rate as the regressor, is as follows: $y_i = 50.4 - 0.2x_{1i} + 9.2x_{2i}$, where y_i is the employment rate in poor neighborhoods within city i, x_{1i} is the relevant city-wide unemployment rate, and x_{2i} equals one for Calgary and Edmonton and zero elsewhere. (All rates are expressed as percentages.) The coefficient for the unemployment...

Table 7: ***Low-Income Intensity, the Poverty Rate, and the Poverty Gap, Canada and Alberta, 1993–98***

	1993	1994	1995	1996	1996[a]	1997[a]	1998[a]
Canada							
Low-income intensity index	0.076	0.074	0.082	0.088	0.090	0.088	0.081
Poverty rate (%)	13.1	12.8	13.8	14.1	14.7	14.1	12.5
Poverty gap (%)	30.0	30.3	31.1	32.5	32.0	32.5	33.6
Alberta							
Low-income intensity index	0.083	0.081	0.093	0.095	0.090	0.099	0.085
Poverty rate (%)	14.0	13.3	14.8	14.4	14.8	14.0	12.5
Poverty gap (%)	30.9	31.6	32.8	34.3	31.7	36.9	35.4

[a] The values in these columns are derived from the Survey of Labour and Income Dynamics (SLID). The values in the other columns are derived from the Survey of Consumer Finance (SCF), which was discontinued in 1997.

Source: Picot, Morissette, and Myles 2001.

Welfare Reform and Income Distribution

A concern in implementing serious welfare reform is the impact it may have on income among the poor. What effect have Alberta's Cardinal reforms had?

A concern in implementing serious welfare reform is the impact it may have on income among the poor. What effect have Alberta's Cardinal reforms had? Some evidence pertinent to this question is available from a recent Statistics Canada study of low-income dynamics across provinces (Picot, Morissette, and Myles 2001). Tables 7 and 8 report its summary results, using the concepts of *poverty rate*, *poverty gap*, and *low-income intensity* (look back at Box 2).

Interpreting the results is complicated by the fact that Statistics Canada changed data sources over the years under review — from the Survey of Consumer Finance (SCF) for years through 1996 to the Survey of Labour and Income Dynamics (SLID) thereafter. Consequently, variable levels in 1998 cannot be readily compared to those in 1993. It is, however, valid to consider the relative values of variables across jurisdictions within the same year and to examine changes over the 1993–96 period, relying on the SCF, and over the 1996–98 period, relying on the SLID. (For 1996, statistics calculated from both sources are available.) But combining the two calculated changes to generate a 1993–98 change would, in general, be invalid.

In 1993, the first year of Alberta's welfare reform, both the province's poverty rate and its gap were slightly higher than those of the country overall, and the low-income intensity index was correspondingly 9 percent higher (0.083 versus 0.076). By 1998, the last year of data in the study, Alberta's poverty rate equaled the

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Note 14 - cont'd.

...rate has the expected negative sign but is small and statistically insignificant. On the other hand, the coefficient for the dummy variable is large and statistically significant.

A second regression, using the employment rate in nonpoor neighborhoods, yields the following: $y_i = 52.3 - 0.1x_{3i} + 9.7x_{2i}$, where y_i and x_{2i} are as above, and x_{3i} is the relevant employment rate in nonpoor neighborhoods. Here, the coefficient for the nonpoor employment rate has the wrong sign, is small, and is statistically insignificant. The coefficient for the dummy variable is similar to that in the first regression, and is statistically significant.

Table 8: *"Direct Effect" of Changes in Market Earnings and Social Transfers on Low-Income Intensity*

	1993–96	1996–98
	(percent)	
Canada		
Market earnings	–4	–10
Transfers	19	–1
Total	15	–11
Alberta		
Market earnings	–17	–6
Transfers	30	1
Total	13	–6

Source: Picot, Morissette, and Myles 2001.

national average, but its poverty gap was higher, and its low-income intensity index in 1998 was 5 percent higher than in the country overall (0.085 versus 0.081).

The SLID yields a somewhat higher poverty rate measure than the SCF. Since the 1998 poverty rate estimates, using the SLID, are lower than in those for 1993 using the SCF, a comparison across the five-year period with a consistent source would almost certainly generate a decline in poverty rates, both regionally in Alberta and in the country overall. And since Alberta's poverty rate was higher in 1993 than in Canada overall, such an exercise would show Alberta's poverty rate to have declined more rapidly than elsewhere.

The SLID yields a lower measure of the poverty gap in 1996 than does the SCF for Alberta and for Canada overall. For some provinces (not shown in the tables), however, the SLID yields a higher gap. All that can be said with certainty is that, in both Alberta and Canada overall, the gap increased between 1993 and 1996 according to the SCF, and from 1996 to 1998 according to the SLID. Alberta's poverty gap was about 3 percent higher in 1993 than in Canada overall (30.9 versus 30.0), and about 5 percent higher in 1998 (35.4 versus 33.6). Among families whose incomes remained below the relevant LICO in 1998, the average depth of poverty in Alberta and in Canada overall was almost certainly deeper than in 1993.

Table 8 presents a disaggregation of changes in the values of the low-income intensity index over time. Changes come from two factors: market earnings among low-income families, and the social transfers they receive; the latter include provincial social assistance, employment insurance benefits, tax expenditures (such as the child tax benefit), and others. This disaggregation is an accounting exercise; it makes no attempt to calculate, for example, the indirect effect on earnings arising from a redesign in social transfers.

The Cardinal reforms are probably the principal reason the 1996 employment rate in the poor neighborhoods of Alberta's cities was about 9 percentage points higher than in comparable neighborhoods of the six other cities we have examined.

Between 1993 and 1996, the reduction in transfer income in Alberta — primarily but not exclusively due to the Cardinal reforms — would, if earnings were unchanged, have increased the low-income intensity index by 30 percent. On the other hand, had transfers been constant over these three years, the index would have fallen by 17 percent due to higher earnings. The net result is a rise in the index of 13 percent (= 30 percent – 17 percent). In Canada overall, the net result is a 15 percent rise in the index, a 19 percent rise due to transfer declines and a 4 percent fall due to earnings increases.

For the second period, between 1996 and 1998, the low-income intensity index falls in Alberta by 6 percent and across Canada by 11 percent. Transfers remain more or less constant in both, but Alberta's gain in market earnings among the poor is less than that elsewhere.

To summarize this discussion, the Cardinal reforms are probably the principal reason the 1996 employment rate in the poor neighborhoods of Alberta's cities was about 9 percentage points higher than in comparable neighborhoods of the six

other cities we have examined. The decline in Alberta's poverty rate between 1993 and 1998 was almost certainly larger than the country's overall decline. Although I make no attempt here to weight the relative importance of Alberta's welfare reforms and the strength of the regional economy in the province's relative success, it is encouraging to see that stricter access to welfare need not increase a province's poverty rate. Alberta's poverty gap did go up, however — probably more so than elsewhere in Canada over these five years. Among those who remained poor in Alberta in 1998, relative incomes probably declined more than in the country overall.

Finally, the Alberta experience should not encourage complacency. Almost certainly, family poverty rates were higher in Alberta — and in Canada overall — in 1998 than in 1989, the final year of the 1980s' economic boom, when poverty rates reached their trough before the early 1990s' recession.[15]

Conclusion

Policies that enable groups to act collectively in defense of their culture combine public subsidies and constraints on individual behavior (including constraints on the behavior of members of the group). A prominent Canadian example is Quebec's language laws. They subsidize the use of French in many domains and limit the access of both francophones and nonfrancophones to English-language services. Treaties and enabling legislation for reserves do something similar among registered Indians.

In a liberal society, the principle of citizens as bearers of equal rights matters a great deal. Hence, all culturally specific policy creates the potential for controversy. To insist, however, on citizens as bearers of equal individual rights as a principle trumping all other considerations is not helpful in dealing with deeply entrenched historical injustices or collective expectations. Workable solutions entail derogations from this principle. Deciding how significant should be the derogations with respect to aboriginals — and francophone Quebecers — are among the core political tasks for politicians in Canada. In general, the courts cannot decide this matter. Compromises will achieve legitimacy only if they enjoy sanction from democratically elected governments.

Aboriginal policy options should pass a double test. Do they envision means to preserve culture that the majority perceive as reasonable within a liberal society? And do they incorporate sensible economic incentives to pursue employment and education rather than welfare?

That said, I suggest that potential aboriginal policy options should pass a double test if they are to achieve legitimacy. Do they envision means to preserve culture that the majority perceive as reasonable within a liberal society? And do they at the same time incorporate sensible economic incentives to pursue employment and education rather than welfare?

Consider, as an example, the creation of separate aboriginal schools. Such a reform obviously would derogate from the principle of individuals' bearing equal rights in the public domain. Publicly funded aboriginal schools in an urban context

15 Comparing 1989 and 1998 poverty rates poses the problem of change in data sources discussed in the text. A crude adjustment is to multiply the 1989 results by the ratio of SLID to SCF poverty rates prevailing in the relevant region in 1996. After making this adjustment, one obtains an overall Canadian family poverty rate that is 21 percent higher in 1998 than in 1989. Analogously, the rate in Atlantic Canada is 24 percent higher; Quebec, 36 percent higher; Ontario, 30 percent higher; Manitoba and Saskatchewan, 4 percent lower; Alberta, 5 percent higher; and British Columbia, 6 percent higher. (See Picot, Morissette, and Myles 2001, table A2.)

would entail a significant fiscal advantage to the aboriginal community relative to other minority communities that also have a strong interest in intergenerational cultural survival.

Does such a reform pass my proposed double test? The test of majority acceptance requires that the reform receive explicit sanction from a representative elected legislature before implementation. The creation of separate aboriginal schools is not an initiative that a court decision could legitimately impose on a provincial government.

The test of efficiency requires that we consider the incentives implicit in such a reform. Well-functioning schools are crucial if citizens of modern societies are to acquire skills that enable them to earn reasonable incomes and avoid reliance on transfers. But schools are complex institutions; their success depends on many factors, including parental monitoring. In general, current provincial school systems have failed to engage aboriginal parents, and they are failing so many aboriginal children that the systems themselves deserve a failing grade. Finally, the intent is to introduce an element of choice: aboriginal parents would retain the ability to send their children to regular schools. Over time, the competition for students might encourage all schools to improve. There is no guarantee that aboriginal school systems would significantly improve aboriginal education outcomes, but the reform offers enough promise that, in my opinion, it passes this second test.

Current provincial school systems have failed to engage aboriginal parents, and they are failing so many aboriginal children that the systems themselves deserve a failing grade.

Given aboriginals' relative importance in western Canadian communities, the four western provincial governments have much to do to assure that all urban neighborhoods are good places in which to live and raise families.

Appendix: On-Reserve Welfare Use

This *Commentary* focuses on *urban* aboriginals. It is, however, important to appreciate the context of very high on-reserve poverty and open-access welfare policy, a combination that has induced a high rate of welfare dependency and a culture of poverty that has been transferred to aboriginal communities in poor urban neighborhoods.

The Department of Indian and Northern Affairs financed benefits for more than 150,000 on-reserve registered Indians across Canada. In terms of the number of recipients, this is Canada's fourth-largest welfare program (exceeded only by provincial programs in Ontario, Quebec, and British Columbia).

Over the latter half of the 1990s, the Department of Indian and Northern Affairs financed benefits for more than 150,000 on-reserve registered Indians across Canada. In terms of the number of recipients, this is Canada's fourth-largest welfare program (exceeded only by provincial programs in Ontario, Quebec, and British Columbia). On each reserve, the benefit levels are, in principle, equal to those prevailing in the relevant province, but the rules governing access vary by reserve and, in general, are much more liberal than for those prevailing in the provincial systems.

In 1999, reliance on welfare was approximately six times higher among on-reserve aboriginals than among other Canadians. Over the past decade, the overall proportion of on-reserve aboriginals in receipt of social assistance has averaged more than 40 percent. In 1997, the rate in Atlantic Canada was more than 85 percent, in Saskatchewan more than 60 percent, in Manitoba and Alberta nearly 50 percent, in British Columbia slightly below the Canadian average of 43 percent, in Quebec 30 percent, and in Ontario 25 percent.

The national ratio of on-reserve welfare use rose somewhat in the recession of the early 1990s and declined somewhat in the late 1990s (from a trough of 39 percent in 1989 to a peak of 46 percent in 1994 and back to 39 percent in 1999). Although these movements are as large, in terms of percentage points, as similar shifts in many of the provinces, the major explanation for on-reserve welfare use is not macroeconomic conditions.

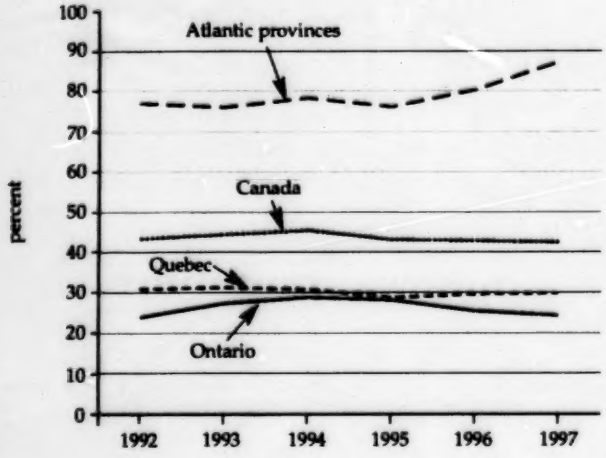
Rather, the main reason is simply that the resource base and capital equipment available to the typical rural reserve cannot, even under optimum band management, be expected to generate many productive jobs offering earnings greater than the income made available via social assistance. The availability of social assistance has enabled reserve residents to avoid destitution, but, in turn, it has generated the pathologies associated with a culture of poverty. Menno Boldt, in a study that is sympathetic to the aboriginal case for cultural autonomy, eloquently summarizes the effects:

> Economic dependence has caused social malfunction in Indian societies. Privation is part of the cause, but the main problem is that lack of productive employment has undermined traditional role and status relationships, especially for male members, most of whom have lost their important role of food provider for their family or kin group. They are denied an opportunity to validate their self-worth by contributing to the survival and well-being of their family and community through work. The idleness of unemployment has devastated morale and undermined Indian cultures. This, in turn, has bred extraordinary levels of social pathologies. (1993, 223.)

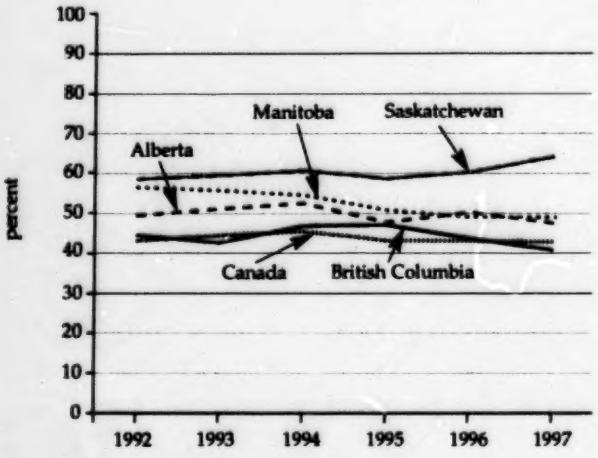
Modern treaties can contribute modestly to a lowering of welfare dependency by transferring assets (such as fishing and timber rights) whose exploitation

Figure A-1: ***Proportion of On-Reserve Residents Receiving Social Assistance, 1992–97***

A. Eastern Provinces and Canada



B. Western Provinces and Canada



Sources: Calculated from data assembled by the Department of Indian and Northern Affairs. On-reserve population data are from Canada 2001a, tables 1.2 and 1.6. Data for on-reserve social assistance beneficiaries in the provinces are from Canada 2000; data for aggregate beneficiaries in Canada are from Canada 2001a, table 4.3.

generates employment earnings for reserve members. It is unrealistic to expect, however, a transfer of resources sufficient to create more than a small fraction of the jobs required to lower welfare dependency rates to levels approaching the Canadian average. On the other hand, if my models 2 through 4 have any validity in explaining rural on-reserve poverty as well as urban poverty, the Department of Indian and Northern Affairs should radically re-evaluate policy. To add that re-evaluation of on-reserve welfare use, in the context of very high welfare dependency over many years and current expectations among aboriginal leaders, would be controversial is to offer an understatement.

To date, federal politicians have avoided publicly discussing reform of on-reserve welfare policy as have, for the most part, provincial politicians. Why? Imputing motives is perhaps unfair, but the temptation to do so is irresistible. One strand in any answer is the growth of aboriginal nationalism, in Canada and elsewhere, over the past quarter-century and the honorable desire among the nonaboriginal majority to redress the injustices of the past. The desire to accommodate aboriginal expectations has placed a premium on legal paradigms and given political legitimacy to an activist judiciary intent on expanding the scope of treaty rights. In the world of legal activism, redesigning social policy incentives in order to lower welfare use may appear alien to the spirit of redress.

Although some lawyers — I am tempted to say many — are blind to realities beyond their professional purview, the same cannot be said of the senior officials and politicians charged with the design of aboriginal policy. Most have a finely tuned sense of the relative power of the interest groups bearing on their respective ministries, and their attitude to law is utilitarian. Among them, debates among competing lawyers over the meaning of aboriginal rights may appear a means of avoiding the controversy that would surround fundamental redesign of aboriginal social policy. Rather than incur that controversy, why not finance lawyers — for all contending parties — to continue negotiations? Occasionally, as with the Nisga'a Treaty among the 5,000 members of this northern BC band, this dynamic yields a positive outcome. But agreements have been exceedingly rare, and it is hard to believe that

[New treaty] agreements have been exceedingly rare, and it is hard to believe that senior officials expect formal treaty negotiations among competing sets of legal counsel to achieve significant change in the fortune of on-reserve aboriginals.

senior officials expect formal treaty negotiations among competing sets of legal counsel to achieve significant change in the fortune of on-reserve aboriginals.

The Cardinal reforms in Alberta are an exception to the generalization that provincial politicians have acquiesced in federal strategies. Why, to date, have the provinces not launched more ambitious alternatives with respect to off-reserve and urban aboriginals? Part of the answer lies in the fact that many provincial leaders themselves believe that treaty negotiations are the only road to redress. In certain provincial capitals, such as Victoria during the 1991–2001 administration of the New Democratic Party, provincial leaders have accorded as high a priority to formal treaty negotiation as has the on-reserve aboriginal leadership.

Some provincial politicians have a second, less elegant motivation for accepting prevailing strategies: the desire to avoid the political disruption that alternative policy would pose. For example, any reform that introduced more efficient incentives into federal on-reserve social policy could well transform the primarily federal problem of on-reserve poverty into a primarily provincial problem. An alternative to the status quo is for Ottawa to attach stringent accountability conditions to disbursements to bands and to insist, for example, on welfare access regulations comparable to those prevailing in some provincial systems and US states. Given the lack of professional on-reserve administration, implementing such regulations would pose immense difficulties. But if they were enforced, the result would be increased off-reserve migration to seek work.

Jean Allard (2001), a long-time aboriginal leader in Manitoba, puts forward another option, a generous treaty benefit awarded to all registered Indians, regardless of place of residency. Ottawa could partly finance this benefit by a reduction in aggregate disbursement to bands. Band governments would face a choice: sharply reduce expenditures or seek a mandate from reserve residents to levy significant taxes on them. This treaty entitlement — particularly if combined with on-reserve taxation — would sharply reduce the fiscal bias in favor of reserve residency, and would probably induce off-reserve migration of similar proportion to stricter on-reserve welfare access.

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